Annual Report 2009

for the year ended March 31, 2009

JSW

THE JAPAN STEEL WORKS, LTD.

Profile

Founded in 1907, The Japan Steel Works, Ltd. (JSW) had by the end of World War II accumulated rich reserves of sophisticated technologies as Japan's largest private-sector manufacturer of weapons. Following the war, these technologies formed the foundations for the Company's shift to peacetime industry. Taking advantage of its expertise in producing unexcelled steel and machinery, the Company has developed a wide range of machinery while successfully entering new business fields. The Company is proud of the acclaim it has won for its large steel castings and forgings, heavy machinery and steel structures, steel plates, plastics machinery, and industrial machinery, as well as equipment and engineering for the oil, gas, chemical, and petrochemical industries.

At present, JSW is a leader in the development of advanced technologies for the fields of new and natural energies, advanced materials, optics, electronics, biotechnology, and other cutting-edge areas. It also is moving into urban redevelopment and environment-related businesses and carrying out complex business initiatives in a wide range of industrial and social areas. Nonetheless, the Company remains committed to providing valuable products and services to world markets and to gaining the confidence of customers while achieving profitability that satisfies its shareholders.

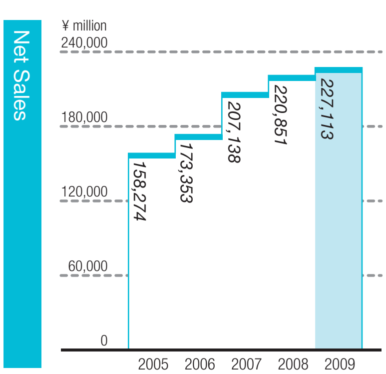
Contents

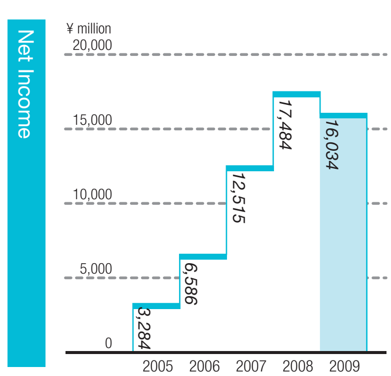
Financial Highlights (Consolidated)

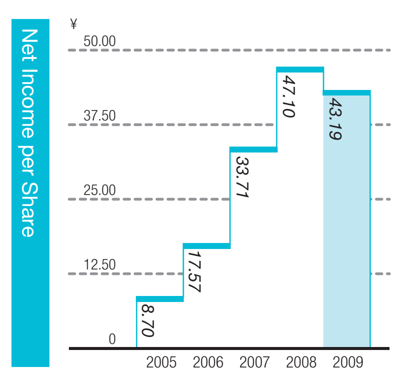
THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
For the year:				
Net sales	**¥227,113**	¥220,851	¥207,138	**$2,312,053**
Operating income	**36,633**	32,475	24,678	**372,931**
Net income	**16,034**	17,484	12,515	**163,229**
At year-end:				
Total assets	**296,909**	262,453	232,444	**3,022,590**
Total net assets	**90,125**	85,231	75,621	**917,490**
Ratios:				
ROE	**18.3%**	21.8%	17.7%	
Equity Ratio	**30.3%**	32.4%	32.4%	
Amounts per share (yen and U.S. dollars):				
Net income	**¥43.19**	¥47.10	¥33.71	**$0.44**
Cash dividends applicable to the year	**12.00**	12.00	9.00	**0.12**

Note: Amounts in U.S. dollars are presented solely for convenience and based on the rate of ¥98.23 = US$1.00, the rate of exchange on March 31, 2009, the date of the Company's most recent balance sheet.







Message from the Management

Company posts record profits amid harsh business conditions

Masahisa Nagata
Representative Director & Chairman of the Board of Directors (right)

Ikuo Sato
Representative Director & President (left)

Business performance

The financial meltdown in the U.S. last September triggered a global economic downturn during the second half of the term under review, and the Japanese economy also slowed down. The yen's rapid appreciation against the dollar and the euro forced Japanese exporters to cut production, and business performance weakened. At the same time, companies curbed plant and equipment investments, and stocks declined further, leading to a deterioration in corporate performance on an unprecedented scale. A worsening employment environment and sluggish consumer spending have resulted in a protracted economic recession, with no prospects of a recovery in sight.

Against this backdrop, JSW achieved record sales, operating income, and ordinary income. The Machinery Products segment was sluggish, but the Steel Products segment achieved a strong performance. Consequently, sales in the reporting term increased 3% year-on-year to ¥227,113 million (US$2,312 million). A rise in profits accompanied the growth in sales. In the Steel Products segment, a steady flow of orders enabled stable operation rates and cost reductions through improved productivity. We were also able to raise product prices to reflect the rise in raw materials prices. As a result, operating income rose 13% year-on-year to ¥36,633 million (US$373 million) and ordinary income increased 16% to ¥35,949 million (US$366 million), marking record profit levels. In contrast, net income declined 8% to ¥16,034 million (US$163 million) as a result of losses on the valuation of investment securities and the disposal of obsolete facilities accompanying investment in new equipment.

Orders received for the reporting term, on a consolidated basis, posted a 9% decrease from the preceding term, to ¥240,420 million (US$2,448 million), due to a lackluster performance by the

Machinery Products segment, which more than offset a brisk performance in the Steel Products segment.

Accomplishment in our medium-term management plan

We are in the final year of the revised medium-term management plan "J2008R," which covers the two years of fiscal 2007 and 2008. The main targets of this management plan are the enhancement of business scale, the improvement of capital efficiency, and the promotion of CSR. To respond to the growing demand worldwide for energy, and especially the heightened need for clean energy, we are undertaking large-scale capital investment and working to raise production efficiency. During the term, we took steps to improve the efficiency of assets and the soundness of our financial position. We conducted inventory adjustments, and made efforts to achieve an early recovery of accounts receivable and to secure advances. However, as explained above, there was a rapid deterioration in our business environment from September onward, and total sales declined to slightly below the target, due to a significant sales decline in the Machinery Products segment. Meanwhile, we made efforts to reduce production costs and cut fixed costs. In the Steel Products segment, sales and orders received remained firm, pushing up the capacity utilization rate, causing the Company's operating income and ordinary income to exceed targets by a large margin. Net income also exceeded targets, despite the registering of losses on the valuation of investment securities and the disposal of obsolete facilities.

Numerical targets and results (Consolidated)

(¥ billion)

	Term ended March 31, 2008			Term ended March 31, 2009		
	Targets under J2008R	Results	Increase/ (decrease)	Targets under J2008R	Results	Increase (decrease)
Sales	217.0	220.8	3.8 1.8%	235.0	227.1	(7.9) (3.4%)
Operating income	26.0	32.4	6.4 24.6%	29.0	36.6	7.6 26.2%
Ordinary income	25.0	30.8	5.8 23.2%	27.5	35.9	8.4 30.5%
Net income	13.0	17.4	4.4 33.8%	14.5	16.0	1.5 10.3%
Net interest-bearing debt (assets), excluding lease obligations	10.0	(7.9)	(17.9)	14.0	6.4	(7.6)

Note: Amounts less than ¥100 million have been rounded down.

Taking into consideration the large-scale investment in equipment being undertaken at the Muroran Plant and the need to ensure a sufficient level of retained earnings, we have decided to keep our annual dividend at the previous year's level of ¥12 per share, with ¥6 per share paid mid-term, and ¥6 per share to be paid at the term-end.

Forecasts for fiscal 2009

Steadily working toward achievement of fiscal 2009 targets

There are no signs that the global economy will recover any time soon, and demand trends in our customer markets also remain unclear. For these reasons, we decided not to draft a new medium-term management plan for fiscal 2009. Instead, we have set the following targets for the current term, which will serve as the basis for the next term's plan.

Priority Issues

- Cutting production costs and reducing capital investment expenses
- Realizing further technological superiority to secure top market shares in even more products
- Raising employee skill levels
- Investing resources in staff hiring and training, to create top-class work force
- Pursuit of CSR targets
- Ensuring workplace and higher product quality

Main tasks by segment

Steel Products

1) Major equipment investment plans being undertaken at the Muroran Plant will be tailored to comply with changes in product segment demand.
2) Further expansion in sales of energy-related products such as pressure vessels for power plants (both thermal and nuclear) and oil refineries.

Machinery Products

1) Acquiring further orders from emerging economies, particularly China, for plastics manufacturing and processing and molding machinery.
2) Steps to expand sales and improve profitability of wind turbine system business; also steps to expand sales of IT equipment and speed up development in this field.

By segment, the Steel Products segment, with its substantial order backlog, is expected to continue showing a strong performance centering primarily on sales of products in the thermal power generation and nuclear power generation fields. Amid growing demand worldwide for energy and the global trend toward environmental load reductions, we expect to see a further expansion in orders for components for thermal power plants, which are becoming larger in scale and more efficient, and also nuclear power plants. Demand is also expected to be strong for pressure vessels for oil refineries. Despite an increased burden for depreciation expenses accompanying plant and equipment investment, we expect earnings to be on par with the previous year's level as a result of an anticipated increase in sales and a rising capacity utilization rate accompanying a continuing upward trend in orders, which began in fiscal 2008.

In the Machinery Products segment, we expect further growth in wind turbine system equipment due to the growing demand for clean energy. In contrast, sales are expected to weaken for plastics machinery, processing equipment and plastic injection molding machinery as a result of a decline in equipment investment by the automobile industry, the leading customers for this equipment. Despite a persistent harsh environment for plastic injection molding equipment orders, given the trend among automakers and home electronic appliance makers to postpone equipment investment, we are taking steps to win orders for plastics machinery and processing equipment from China and other emerging economies. We thus expect to see a year-on-year rise in orders in this segment.

Taking into account the considerations stated above, we forecast sales of ¥217 billion (US$2,209 million), operating income of ¥28 billion (US$285 million), ordinary income of ¥27 billion (US$275 million), and net income of ¥15.5 billion (US$158 million).

On June 29, President Masahisa Nagata was appointed Chairman of the Board of Directors, and managing director Ikuo Sato was appointed President. Under this new management lineup we will continue to fully utilize our proprietary technologies and pursue technological advances to remain competitive despite the current harsh conditions. We appreciate the ongoing support and understanding of our shareholders.

June 2009

Masahisa Nagata
Representative Director & Chairman of the Board of Directors

Ikuo Sato
Representative Director & President

Topics

Equipment investment at our Muroran Plant

Our Muroran Plant is equipped with cutting-edge large-scale equipment, such as a hydraulic press that can handle up to 14,000 tons, and a 100-ton ESR (electroslag remelting) furnace. The plant manufactures a wide variety of products. In addition to large items, it produces small- and medium-sized cast and forged steel products, clad steel plates and clad steel pipes. At the Muroran Plant, production of energy-related items for use in thermal and nuclear power plants and wind turbine system facilities is expected to total ¥132.5 billion (US$1,349 million) in fiscal 2009, and demand is expanding rapidly. To respond to this rapid growth, JSW is undertaking investments totaling ¥80 billion (US$814 million), to be implemented in two stages. In the first phase we will invest a total of ¥50 billion (US$509 million) for plant construction, and have set aside another ¥30 billion (US$305 million) in the second phase for additional equipment investment.

The facility at our Muroran Plant currently undergoing expansion (Steel ingot production plant)

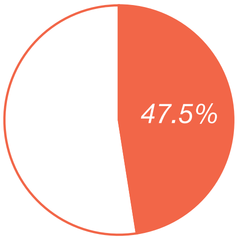
Through this series of investments, we will be able to expand our production capabilities for large forged steel products from the second half of fiscal 2010. Thus, in fiscal 2010 we plan to raise production capacity for forged steel products for nuclear power plants to approximately three times the fiscal 2007 level (specifically, to 12 units per year). Through such an expansion in production capacity, we are working to meet the growing global demand for these products.

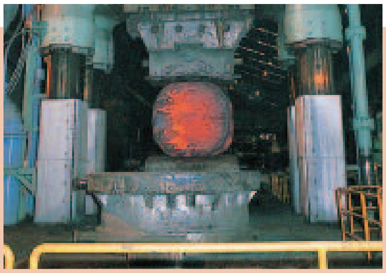
Our Business Domains

JSW and the JSW Group carry out a wide range of business activities in a variety of fields. In the steel products area, these activities include the production and sale of steel castings and forgings and the production and sale of steel plates and structures. In the machinery area, these activities include the production and sale of plastics and other machinery, magnesium alloy injection molding machines and molded products, IT equipment, and wind power equipment, which is a business area developed in recent years. In addition, we are active in regional development and information systems as part of our program of business diversification.

Steel Products

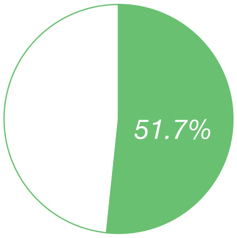
Sales Composition





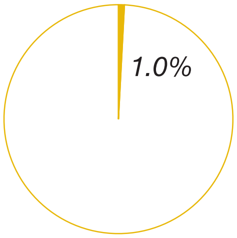
Machinery Products

Sales Composition



Regional Development

Sales Composition



Steel Castings and Forgings

Making steel in electric furnaces, we produce a broad range of cast products, as well as steel ingots for forged products and for rolling. Regarding forgings, after being forged into the required shapes by presses of various types and sizes, and undergoing heat treatment, machining, and finishing, these products are used in machinery and facilities for the electric power generation industry (fossil fuel, hydroelectric, and nuclear power stations), and the steel-making and general industrial machinery industries, where their quality and reliability have won high praise in Japan and abroad.

Main Business Lines

Here our main business lines are the production and sale of products for power generation, steel-making, chemical machinery, nuclear power-related machinery and equipment, and roll molds.

Steel Plates and Structures

Our plate rolling mill, one of the largest in Japan, can roll extremely thick, wide, and long steel plates with a maximum thickness of up to 350 millimeters, a maximum width of 4.8 meters, and a maximum length of 20 meters. It is used to produce clad steel plates mainly. In addition, we carry out integrated manufacturing processes from raw materials to products, producing a wide range of pressure vessels (for oil refining and the chemical industry) through the use of our advanced welding technology and facilities. These products enjoy strong demand from Japan as well as overseas.

Main Business Lines

Our main business lines are the production and sale of products for oil refining, the petroleum and general chemical industries, and for power generation as well as a wide range of pressure vessels, clad steel plates, and clad steel pipes.

Plastics Machinery

Working to lead the competition in developing products that address the growing sophistication and diversity of plastics materials, we have built up a solid position as a comprehensive plastics machinery manufacturer that is involved in everything from upstream polyolefin extruders/pelletizers to processing equipment. In addition, we have established a polymer processing technology development center that can test plastics technologies so as to respond quickly to market changes, and have put in place an integrated development system.

Main Business Lines

JSW's main business lines are the production and sale of injection molding machines, blow molding machines, and other composite plastics production and processing machinery (including polyolefin extruders/pelletizers, compound extruder mixing machines, equipment for making films and sheets, and others).

Other Machinery

We manufacture defense-related equipment, power plant equipment, environment-related equipment, and other industrial machinery to meet wide-ranging demand. As such, our activities are developing on a world-wide scale. In recent years, we also have been devoting effort to developing environment-related business.

Main Business Lines

In this area, our main business lines are the production, sale, and maintenance of fluid machinery, hydraulic machines, machinery for the production of electronic components and displays, metal-working machinery, waste-treatment equipment, magnesium alloy injection molding machines, die-casting machine, wind turbine system equipment, and defense-related equipment.

Regional Development

Centered on the construction of office buildings, commercial facilities, and rental condominiums on Company-owned land, we engage in regional development operations with the objective of ensuring stable earnings through the utilization of idle assets. Our goal is to raise our earnings and revitalize local communities through a more effective application of our assets, based on the reserves of expertise we have accumulated in our business operations.

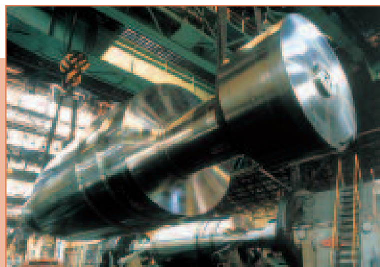
Main Business Lines

Here our main business lines are the rental of properties and the sale of properties developed on idle real estate.

Review of Operations

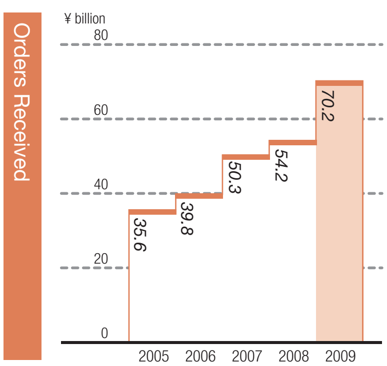
Steel Products Segment

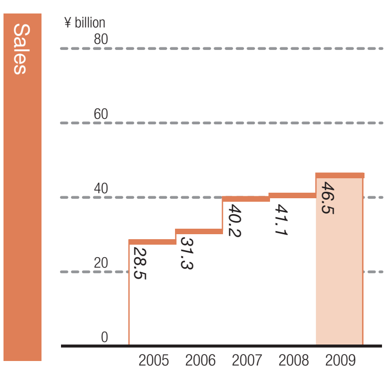
Steel Castings and Forgings Sector



Monoblock Low Pressure Turbine Rotor Shaft

Shell Flange Used for Pressure Chamber for Nuclear Power Plant





Performance in fiscal 2008

Demand for thermal power plant components remained strong, with the global financial crisis having a minimal impact thanks to a high level of orders from China, the country with the strongest demand in the world in this field. In addition, nuclear power plant components are benefiting from a new surge in the revival of nuclear energy in European countries. In particular, the French company AREVA has made aggressive efforts to expand its nuclear power business, and we have received several orders for nuclear power companies in China. At JSW, customers reserve production slots, and we are seeing signs that demand will continue to grow.

Supported by a large order backlog, sales for steel castings and forgings sector rose ¥5.4 billion year-on-year to ¥46.5 billion (US$473 million), while total orders increased ¥16.0 billion to ¥70.2 billion (US$715 million).

Forecast for fiscal 2009

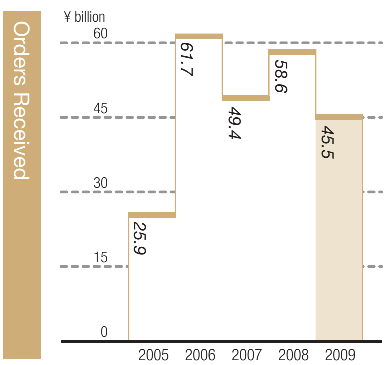
Against the backdrop of a substantial backlog of orders for power plants (both thermal and nuclear) and a continuing steady inflow of new orders, sales are projected to post a year-on-year increase, and despite an expected increase in depreciation expenses on capital equipment, this should be offset by the growth in sales and production as well as successful measures to lower the cost of sales. Consequently, earnings are forecast to maintain their upward trend. With new plant projects are being undertaken in Japan and China, orders will likely remain at a high level for nuclear power plant components, but there will be an increase in the downward pressure on prices for components for thermal power plants accompanying the decline in materials prices. We expect this to have a negative impact on orders that have been front-loaded in fiscal 2008. Thanks to our competitive superiority in large rotors, we expect demand for this product to remain brisk.

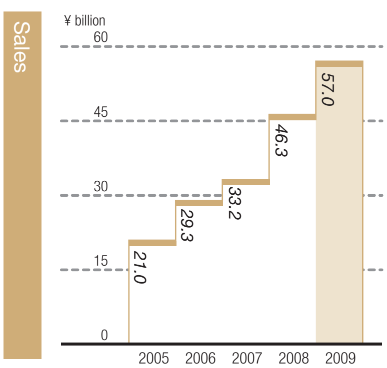
In the Steel Castings and Forgings Sector, we forecast sales of ¥54 billion (US$550 million) and orders of ¥68.5 billion (US$697 million).

Steel Plates and Structures Sector


Clad Steel Pipe


Clad Steel Plate





Performance in fiscal 2008

Orders for pressure vessels from oil refineries decreased due to such factors as the mid-term decline in crude oil prices, which remained at a low level through to the term-end, and intensified competition with European companies as a result of the yen's appreciation against the euro, leading to the deterioration in the business operating environment. However, sales increased, supported by a substantial backlog of orders. Although demand for clad pipe for use in natural gas fields remained firm, orders declined for clad steel plates for use in desalination and oil refinery plants etc. as a result of the postponement of a project and the impact of the yen's rapid appreciation in the second half of fiscal 2008.

Consequently, sales for the steel plates and structures sector came to ¥57 billion (US$580 million), up ¥10.7 billion, while orders fell by ¥13.1 billion to ¥45.5 million (US$463 million).

Forecast for fiscal 2009

Our balance of orders for pressure vessels for oil refineries comes works for two years (fiscal 2009 and 2010). Regarding orders, largescale projects are getting underway in South America and the Middle East, but we must take into account the intensifying severe competition and remember that we should not be too optimistic profitability will be a concern from fiscal 2011 onward.

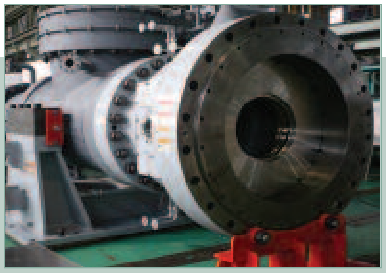
In clad steel plates, in addition to the limited order backlog, orders are expected to be low in terms of both volume and value. Accordingly, we expect that profitability will also remain low. In contrast, we have backlog of orders for clad pipes for the fiscal 2009 full year. We expect increase of order in 2009 compared with 2008.

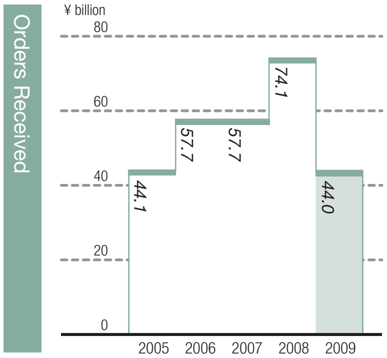
As a result, we forecast sales of ¥49.5 billion (US$504 million), and orders of ¥41 billion (US$417 million).

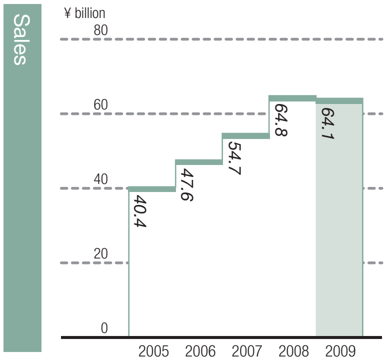
Machinery Products Segment

Plastics Machinery Sector

Blow Molding Machine


Polyolefin Extruder/Pelletizer





Performance in fiscal 2008

A significant backlog in orders for plastics production and processing machinery contributed to an increase in profits. Orders fell short of target as a result of the large earthquake in Sichuan, China, in May 2008, and the impact of the global financial credit crunch in the second half of fiscal 2008, which caused companies to postpone, cancel or delay projects and equipment investments. In the injection molding machinery market, the expansionary trend in the market during the past few years — by equipment investment in the auto industry — has been halted in the wake of the global financial crisis, and demand remains sluggish.

As a result, sales in the plastics machinery sector declined ¥700 million to ¥64.1 billion (US$653 million), while orders fell by a substantial ¥30.1 billion to ¥44.0 billion (US$448 million).

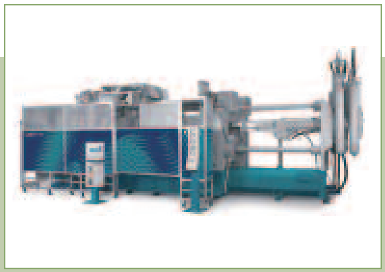
Forecast for fiscal 2009

We expect to see the impact of the decline in orders for plastics production and processing machinery received in fiscal 2008. We saw a rapid growth in orders from China after the Chinese government implemented large-scale economic stimulus measures. Thus, we expect orders to show a pick-up from the second half onward. However, the lead-time is long, and the contribution to sales in fiscal 2009 is expected to be limited.

In addition, measures taken by Beijing to stimulate domestic demand are expected to have a limited spillover effect on the country's export industries. For this reason, we expect that a rapid recovery in Japan's plastics machinery is unlikely. The future of Japan's auto industry is unclear, and orders and sales for plastics machinery are expected to remain low in fiscal 2009, unchanged from the second half of the previous fiscal year.

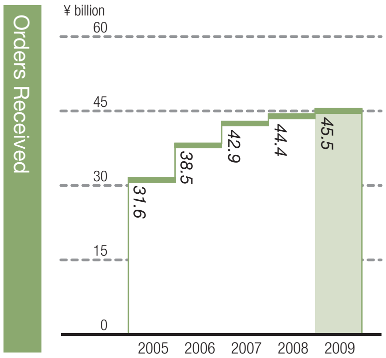
Consequently, we expect orders for plastics machinery of ¥45.5 billion (US$463 million), and sales of ¥35.5 billion (US$361 million).

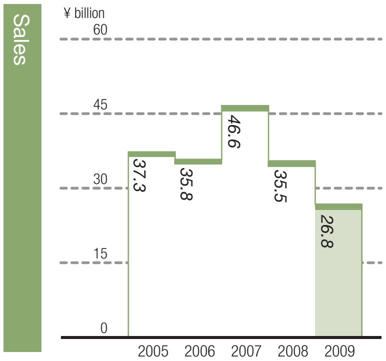
Other Machinery Sector



Die-casting Machine

Wind Turbine System





Performance in fiscal 2008

In IT equipment and laser annealing systems, in the first half of fiscal 2008 several influential Korean customers froze its capital investment. Then, in the second half of fiscal 2008, Japanese, Taiwanese and Korean flat panel makers postponed projects or cancelled orders due to bad business situation caused by the global financial crisis. Both orders and sales declined for magnesium alloy injection molding machines, with applications limited to notebook PCs. In contrast, wind turbine system equipment, which benefits from a significant backlog of orders, saw a slight decline in sales due to customers' schedule delays affected by a changing the applying rule of building construction standards. Orders for wind turbine system equipment benefited from increase of the maximum limit of electricity produced by wind turbine by some electric power companies in Japan to increase their wind turbine system businesses.

As a result, sales in the other machinery sector declined ¥8.7 billion to ¥26.8 billion (US$273 million), while orders increased ¥1.1 billion to ¥45.5 billion (US$463 million).

Forecast for fiscal 2009

Regarding IT equipment and laser annealing systems, we anticipate the widespread adoption of low temperature polysilicon (LTPS) for small and medium-sized flat panel displays. The LTPS technology enables manufacturers to make these panels high-definition slimmer and more lightweight. Moreover, the business environment is showing signs of a gradual recovery, as evidenced by the rising plant operation rates of Korean and Taiwanese LCD panel makers. We are also expecting a rise in orders of magnesium alloy injection molding machines and die-casting machines for applications in the automobile industry. We have a substantial backlog in wind turbine system equipment, and sales and orders are expected to rise.

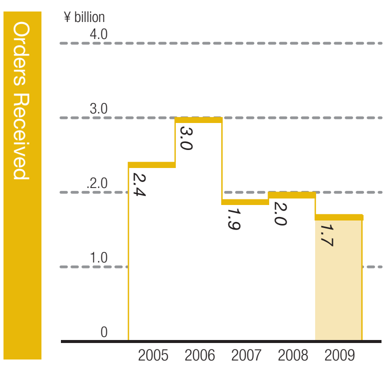
As a result, in the Other Machinery sector we forecast sales of ¥51.5 billion (US$524 million) and orders of ¥63.5 billion (US$646 million).

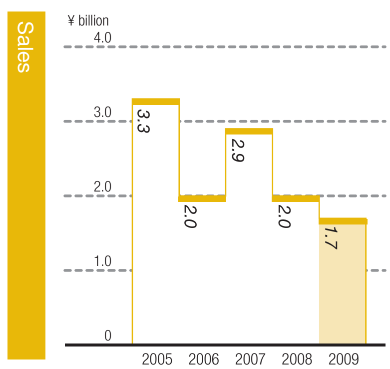
Regional Development

Regional Development


Business Office Development
(Fuchu Intelligent Park)


JSW Apartment Building Development
(Fuchu,Tokyo)





Performance in fiscal 2008

Orders totaled ¥1,766 million (US$18 million) and sales came to ¥1,767 million (US$18 million). Operating income rose by ¥54 million, or 8%, to ¥743 million (US$8 million). This increase was due largely to successful cost-cutting measures.

Capital Expenditures

Capital expenditures for the reporting period totaled ¥25,882 million (US$263 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities at the parent company.

Details of capital expenditure by individual business segment are as follows.

In the steel products business, capital expenditures totaled ¥22,555 million (US$230 million). This expenditure consisted largely of investments to enlarge buildings and upgrade equipment at steel-making plants, the installation of new equipment and the upgrading of existing equipment at forging plant facilities, as well as the expansion of buildings at machinery plants.

In the machinery products business, capital expenditures came to ¥3,135 million (US$32 million) as a result of the construction of a fourth assembly plant at our Hiroshima Plant, and investments to raise machine processing efficiency.

In the regional development business, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥43 million (US$0.4 million).

Capital expenditures unallocable to individual segments came to ¥147 million (US$1 million).

Research and Development

Muroran Research Laboratory

Hiroshima Research Laboratory

Research and development activities were almost entirely funded by the parent company (The Japan Steel Works, Ltd.). Combined spending on research and development for the Steel Products business and the Machinery Products business amounted to ¥4,178 million (US$43 million).

As a materials and mechatronics company, we strive to develop new products and production techniques using our own technology, while also actively promoting widespread technical alliances and joint development in an effort to put new products and technologies into effect as quickly as possible. In terms of the direction of research and development, our Research & Development Headquarters continues to promote cooperation with individual business divisions in order to: (1) improve the capabilities, performance and reliability of our core products and (2) develop products and businesses to meet requirements in new business fields.

Our Research & Development Headquarters encompasses our headquarters (located at Head Office), the Muroran Research Laboratory (situated on the premises of the Muroran Plant), and the Machinery Research Laboratory (located at the Hiroshima Plant).

Our basic research and development policy is as follows.

1. Promoting the development of new products and businesses by focusing on the technological fields of new energy & energy savings, information & telecommunications, nanotechnology & materials, and new production technologies, which are directly related to our current business activities. We aim to expand our fields of business by improving our core technologies while pursuing increased collaboration between the Research & Development Headquarters and our business divisions.
2. Promoting promising themes for future technology and basic research to fulfill the needs of 21st century society, and developing them into research and development projects that will translate into new products and businesses in the future. Simultaneously, we conduct research on elemental technologies used in existing products to realize innovations for those products.
3. Making strenuous efforts to identify new themes for research and development that meet current market needs, and selecting new key development projects that have a high potential to become significant earners for the Company in the future. We will make investments in human resources and property, and allocate funds to selected fields, while forming alliances to shorten development time where it is thought appropriate.

Overview of R&D activities by business segment

Steel Products

In terms of the development of materials-related products, we have been carrying out research and development in such areas as clad steel pipes for natural gas transportation, high alloy materials for high-efficiency thermal power generation, forged steel products for next-generation nuclear power plants, and high-performance nonferrous alloys. We have also been developing hydrogen-absorbing alloys, as well as their applied systems, such as hydrogen tanks for fuel cells. For fiscal 2008, spending on steel product research and development totaled ¥1,573 million (US$16 million).

Machinery Products

In the field of machinery-related products, we have been developing low-cost production technologies for high-performance magnesium alloy injection molding machines, the commercialization of aluminum die-casting devices, and high-precision molding technology for plastic extruder and injection molding machinery. We have also been working on laser applications, including systems for cutting-edge laser annealing equipment used in the production of TFT (thin-film transistor) liquid crystal displays, and other applications for laser devices. In the field of new energy, we have been working on the design of wind turbine blades for use at wind power generation plants, and are endeavoring to establish various related analytical technologies. We are also developing pressurized hydraulic compressor equipment. Spending on machinery product research and development totaled ¥2,605 million (US$27 million) for fiscal 2008.

Corporate Governance

Basic Stance on Corporate Governance

At JSW, we believe we must earn the trust of all our stakeholders, including our shareholders and employees, not merely to raise our enterprise value, which comprises both the Company's economic value and its value to society in the broader sense, but to make possible our very existence.

We have, therefore, designed a set of management structures to ensure an effective system of corporate governance, and have taken all necessary measures to facilitate the appropriate disclosure of corporate information so as to achieve the level of management transparency demanded by investors today.

An Outline of our Corporate Governance System

The Company employs the traditional statutory auditor system, comprising 13 directors and four statutory auditors, two of whom are outside auditors. One outside auditor works on a regular basis. The Board of Directors debates and passes resolutions on matters of importance to the management of the Company, including basic management policies and matters stipulated by legal statute. The Board is also responsible for overseeing the management of day-to-day operations by the heads of departments and plants, and other managers of similar rank.

Meetings are also held by the Executive Board, composed of the Company's chairman, president, executive vice presidents, senior directors, and any other person as shall be designated by the president. This committee, augmented when deemed necessary by the heads of operating divisions and general plant managers to form the Management Council, analyzes the business environment, monitors the progress of business plans, and ensures that knowledge is widely shared among the Company's management staff and that the opinions of specialists are heard and reflected in the final decisions made by the Company's top management. The activities of these bodies ensure that corporate governance is conducted effectively, and, in particular, that the principles of legal and ethical compliance are properly observed.

The Company's statutory auditors (hereafter "corporate auditors") attend meetings of the Board of Directors, the Executive Board, the Management Council, and other important meetings. They also pay regular inspection visits to all the Company's plants and offices, and to its subsidiaries, and exercise strict oversight with regard to the execution of their duties by the Company's directors.

Our Internal Control and Risk Management System

JSW regards it as a management issue of crucial importance to have an effective internal control system in place to ensure the correct performance of business operations. We are, therefore, working to improve our system of internal control in line with our Basic Policy on Internal Control Systems as well as detailed measures decided each year for dealing with specific internal control issues. The points below delineate the fundamental stance adopted by the management of JSW toward the issue of internal control, and the progress achieved thus far in strengthening the Company's internal control system.

1. Improving the internal control system

   In addition to setting up a specialist unit dedicated to supervising the Company's internal control system, the Internal Control Committee holds meetings both regularly and ad hoc as deemed necessary.

2. Observance of legal regulations and the Company's Articles of Incorporation

   JSW does not limit compliance to the prevention of illegal acts and the observance of legal regulations and the Company's Articles of Incorporation. It views compliance in the broader context of general social responsibilities and the upholding of a wide variety of rules and regulations, which include the Company's Vision, its Management Philosophy, and Action Guidelines. The key to success for compliance activities is that the directors take the initiative in setting an example and practicing truthfulness, while raising employee awareness on compliance issues through training sessions and other means.

The implementation of compliance activities is overseen by a director who has been appointed to supervise CSR activities. Committees have been formed to oversee internal controls, security and export controls, environmental management, safety and hygiene (hereafter collectively referred to as "the committees"). These committees undertake activities companywide.

Meanwhile, the planning and administration departments of each business unit closely collaborate with the corresponding departments of management planning, personnel training, accounting and financing, general affairs and legal affairs within the headquarters (hereafter, "headquarters departments") to carry out compliance duties. In this way, we have achieved a division of duties from the overall management control function, and through mutual cooperation, management controls are overseen in every area.

We have established a department responsible for internal controls to ensure that the Company's overall administrative operations observe all laws and regulations, as well as in-house rules. In addition to periodic audits, this department conducts spot audits at other times, as deemed necessary. The results of these audits are reported to the president.

We have also created a system of internal and external routes for reporting and discussing compliance violations when discovered. The person filing the report is guaranteed anonymity. Violators, regardless of whether they are directors or staff, will be punished accordingly, and measures will be taken swiftly to prevent any recurrence.

The Company has clarified in writing its policy of strict opposition to the activities of criminal organizations or individuals. As specific measures within its internal control system to ensure non-involvement with such criminal elements, the Company has mandated careful background checks on business partners, the inclusion in basic contracts drawn up with other companies of clauses specifying the exclusion of known criminal organizations or individuals, the requirement to report all contacts with such criminal elements, and the establishment of a single dedicated office for the investigation of such reports and the management of countermeasures.

3. Safeguarding and management of information

We have appointed a chief information security officer (CISO) to ensure the safeguarding and management of information. In accordance with in-house regulations governing the safeguarding of documents and other information and basic data security guidelines, the minutes of general shareholder meetings, meetings of the Board of Directors and Strategy Council meetings, as well as written requests for approval of managerial decisions (rinshinsho), and other important documents are stored in written form or in the Company's computer database, where they are held in safekeeping. We also store and manage information relating to our internal controls system, to ensure an adequate degree of disclosure of corporate information.

4. Risk management

The risk management system confirms that the president, the division chief, the general plant managers, the directors in charge of departments within headquarters, and other executives are carrying out their duties within the scope of their authority, as stipulated by job authority regulations and the system for managerial decisions (*ringisho*), and that they control the risks involved in the loss or damage to authority in the execution of duties. Important items pertaining to risk management are discussed at meetings of the Board of Directors or of the Strategy Council.

To manage the wide variety of risks to which the Company is exposed, a director of the Company has been placed in charge of overall risk management. Controls are being implemented across division boundaries by the Internal Controls Committee and other committees. Simultaneously, each business unit's planning and administration departments, as well as the plants' departments and headquarters departments work together with the departments responsible for overseeing every area of risk management. Reports are made on the status of risk management and the suitability of the measures in place at meetings of the Board of Directors and the Strategy Council.

Risk managers are assigned within each division at the headquarters, within each business unit, and at each plant. These risk managers ascertain the appropriateness of existing measures and work to eliminate everyday risks. In the case of critical risk situations, a crisis management headquarters is established to provide the appropriate response. In this way, we are responding to risks under both ordinary and extraordinary circumstances.

5. Ensuring efficient performance of duties

The president is the chief executive officer, and directors have been assigned to departments within the headquarters and our plants. In addition, directors have been put in charge of business units that are responsible for the profitability planning and budget controls of each product division. The directors must perform their duties in an efficient manner within the scope of their authority, as specified in the job authority regulations for the posts of president, director in charge, business unit chief, and general plant manager, or else indicated under the ringisho system for managerial decision-making. High-priority items are brought before the Board of Directors or the Strategy Council for discussion, approval and reporting.

At JSW, the management drafts a list of common goals to be shared companywide by directors and employees through incorporation in the Company's Medium-Term Management Plan, and the business plans for each business unit. Each director develops specific measures for achieving these goals. A division of duties is undertaken in line with the in-house regulations, and the specific measures are planned and implemented. Each director conducts a review of the results and provides periodic progress reports, as well as impromptu reports at meetings of the Board of Directors, the Strategy Council and the Management Council. All members of the JSW management are working to ensure impartial personnel evaluations.

The Company has prepared an outline of duties to be executed by each director of the Board, and the order in which these duties are to be performed. Also indicated are the types of work experience, know-how, specialized skills, and technology required. These documents are revised on an ongoing basis to reflect the actual situation, taking into account all varieties of laws, regulations and risk countermeasures. In addition, the appropriate educational activities and training are recommended for each director and employee.

6. Ensuring appropriate management conduct at Group companies

The Company encourages its subsidiaries to follow its Vision, Management Philosophy and Action Guidelines, and also create their own systems of internal controls. In addition, the Company supports the autonomy of their management.

The Company has drafted regulations concerning the operation and management of its subsidiaries. The responsibilities of each division of the Company will be made clear with regard to the controls governing operations and the nurturing of operations of subsidiaries. At the same time, the Company is creating a system whereby reports and notifications can be made regarding subsidiaries' decisions on important issues and other matters of concern, and data can be collected.

Corporate governance system has been adopted whereby directors and statutory auditors can be assigned to JSW subsidiaries. To ensure our subsidiaries' strict adherence to all laws and regulations, as well as in-house company regulations, we request that these companies conduct in-house audits, both periodic and spot audits, through the departments in charge of each subsidiary, and also by a department responsible for the internal auditing of subsidiaries. We will also directly audit operations and provide guidance for improving internal controls of subsidiaries.

7. Appointing staff to assist corporate auditors, and ensuring the independence thereof

The Company appoints staff from among its employees to assist the corporate auditors in the performance of their duties. The opinions of the auditors themselves are sought with respect to the appointment and dismissal of the said staff and all other personnel-related measures such as performance evaluation and bonuses, and no action is taken without the auditors' agreement, so as to ensure the independence of the auditors' assistants from the influence of the directors of the Company.

8. System for submission of reports to the auditors by the directors and employees of the Company

In addition to attending meetings of the Board of Directors, the Executive Board, and the Management Council, as well as other important managerial meetings, the corporate auditors also request memos and the minutes of decision-making meetings for their perusal, and hold regular meetings (as well as ad hoc meetings when deemed necessary) with the directors and managerial-level employees. The auditors may request reports from directors or employees at any time as they deem this necessary.

The timing of these reports and the method to be used are agreed beforehand through discussions between the auditors and the directors or employees.

The corporate auditors of the Company conduct audits of the Company's subsidiaries to ascertain the state of management of these companies. This is done through close liaison with the corporate auditors of the subsidiaries and the staff of the Company's divisions responsible for supervision of subsidiaries, as well as the Internal Audit Division and other head office divisions.

9. Ensuring effective performance of audits by the corporate auditors

The directors and employees of the Company are fully aware of the importance of audits performed by the corporate auditors, and wherever possible give priority to cooperating with the auditors in their duties.

The corporate auditors have the authority to request the cooperation of the Company's Internal Audit Division, other head office divisions, and all other divisions of the Company in the performance of audits.

The corporate auditors collaborate closely with the accounting auditors (an external accounting firm meeting).

The corporate auditors have the authority to employ the services of legal advisors and other outside experts as appropriate.

Policy Regarding Large-Scale Purchases of Company Shares

By resolution of a meeting of the Board of Directors of The Japan Steel Works, Ltd. held on September 10, 2007, the Company instituted a set of rules to be obeyed and procedures to be followed by any party seeking to make a tender offer for the purchase of 20% or more of the total shares issued and outstanding of the Company. These rules and procedures were adopted under the name of Measures Against Large-Scale Share Acquisitions (Measures to Prevent Takeover). Subsequent to this resolution, an amended version of these measures (hereinafter "the present plan") was presented to the Company's 82nd Regular General Meeting of Shareholders held on June 27, 2008, and the agenda item was approved by vote of a majority of shareholders present.

The present plan is a preemptive measure to prevent a takeover which utilizes the gratis issue of share subscription rights, and is effective for a three-year period ending with the Regular General Meeting of Shareholders to be held in June 2011.

The Environment

Environmental Policy

The Company recognizes that as a responsible member of society it has an important duty to operate in harmony with the environment. We engage in business with the aim of contributing to the sustainable development of society through production activities that respect environmental integrity, and by developing environmental preservation technologies.

Action plan

1. We aim to carry out environmental tasks in an organized way, and to implement environmental preservation activities continuously.
2. We will set appropriate objectives and targets for reducing the burden our activities impose on the environment.
3. We aim to provide society with products and services that contribute to the preservation of the environment, as detailed below.
   (1) Through our products we endeavor to increase our value to society in terms of environmental protection, safety and hygiene.
   (2) We provide products and services to reduce environmental loads by obtaining a clear grasp of environmental needs and technical development.

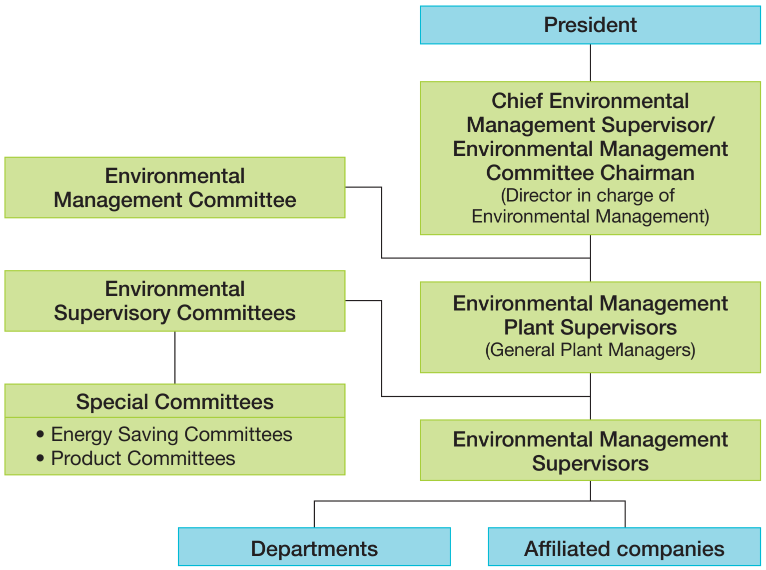
Common policy for plants

Taking into consideration its business activities, the local community and the surrounding environment, each plant sets out its own environmental policy, objectives and targets using methods compliant with international standards and operates in line with the following guidelines.

1. Respect laws and regulations and agreements we have concluded with external parties.

Environmental Management System

The Environmental Management Committee, headed by the Director in charge of Environmental Management, determines matters such as annual environmental management policies and programs of environmental activities for the whole company. Each plant has its own Environmental Supervisory Committee, which promotes environmental management activities and works hand in hand with other group companies to reduce the environmental impact of the Company's activities.



Medium-Term Plan for Environmental Management Activities (Fiscal 2009-2012)

We are promoting environmental management activities at our Muroran, Hiroshima and Yokohama plants. Social awareness has changed greatly regarding the need to deal with such issues as the mitigation of global warming, saving energy, and processing waste.

During the fiscal 2008, we undertook activities at each plant toward the achievement of the yearly targets set out in our medium-term plan for environmental management activities, covering the five-year period from fiscal 2006-2010.

With regard to the observance of laws and regulations, we implement environmental patrols at environmental-related facilities, plants, and other sites in the vicinity. We confirm that all environmental preservation-related laws and regulations are being observed, and that the environmental management system is functioning properly. To effectively communicate the results of the environmental patrols, we carry out employee training programs for affiliates and collaborating companies, as well as at our headquarters.

We will work to achieve the targets contained in our medium-term plan for environmental management activities for the four-year period which starts in fiscal 2009.

Environmental Preservation Activities

The following section introduces some of JSW's wide range of environmental preservation activities.

Reducing atmospheric emission of nickel compounds

At the Muroran Plant, we are working to ensure that atmospheric emission of nickel compounds are within prescribed standards by making the necessary revisions to operations, processes, and equipment, and through the introduction of new equipment.

Working together with the local municipal government since fiscal 2005, we have created our own voluntary controls, and have been undertaking various activities.

Safety and disaster prevention activities

We regularly implement environmental patrols at each plant to verify management status and audit data relating to specific air- and water-related facilities, pretreatment facilities, oil-water separation tanks and other facilities.

Community contribution

As part of our social contribution activities, we conduct a cleanup campaign along the main streets in the vicinity of our Yokohama Plant in April each year.

The cleanup campaign is conducted along roads between a nearest Station and our Yokohama Plant's main gate. Employees collect empty cans and pick up cigarette butts and other refuse. The trash is taken back to the plant, where it is separated and disposed of. We intend this to be an ongoing activity.

Board of Directors and Corporate Auditors

Board of Directors and Corporate Auditors

Representative Director & Chairman of the Board of Directors

Masahisa Nagata

Representative Director & President

Ikuo Sato

Representative Director & Executive Vice President

Hisao Iwashita

Assisting president, In charge of Safety & Hygiene Control, In charge of Personnel Department and Finance & Accounting Department, CFO

Representative Director & Senior Managing Directors

Atsushi Igarashi

Assisting president, In charge of CSR & Risk Management, Secretary Office, General Affairs Department, Business Administration Department, and Export Control Administration

Yuichi Yoshino

Assisting president, In charge of Products Strategy Office, and Environmental Manegement, CTO, Director of Research & Development Headquarters

Managing Directors

Yoshitomo Tanaka

Director of Injection Moulding Machinery Division

Seiichi Uehara

Director of Ordnance Business Headquarter

Nobuyuki Toda

Deputy in charge of CSR & Risk Management, General Manager of Corporate Planning Office, Director of Urban Development Division

Directors

Koichi Murao

Director of Machinery Business Division

Etsuo Murai

Director of Steel Business Division, General Plant Manager of Muroran Plant

Takao Ishido

General Plant Manager of Hiroshima Plant

Tamotsu Hayakawa

Deputy General Plant Manager of Muroran Plant, General Manager of MR-21 Promotion Office

Yutaka Mizutani

General Plant Manager of Yokohama Plant, General Manager of NY Promotion Office

Corporate Auditors

Nobuyuki Minato

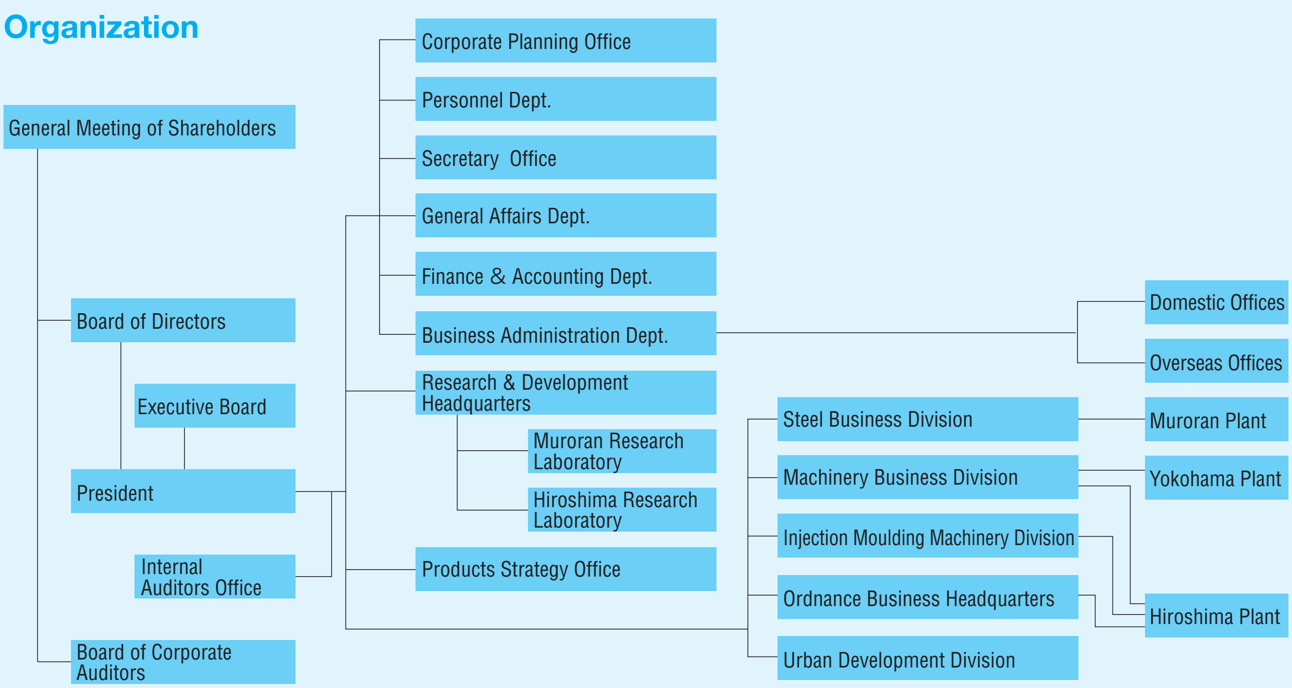
Kenji Uetani

Yasuhisa Naka

Hiroo Suto

(as of June 29, 2009)

Organization



Financial Section

THE JAPAN STEEL WORKS, LTD.

Six-Year Summary

Years ended March 31

Consolidated	Millions of Yen					
	2009	2008	2007	2006	2005	2004
Net sales	**¥227,113**	¥220,851	¥207,138	¥173,353	¥158,274	¥136,309
Net income	**16,034**	17,484	12,515	6,586	3,284	2,000
Total assets	**296,909**	262,453	232,444	196,656	184,683	180,019
Total net assets	**90,125**	85,231	75,621	66,039	58,075	54,689
Amounts per share (yen):						
Net income	**¥43.19**	¥47.10	¥33.71	¥17.57	¥8.70	¥5.39

Non-Consolidated	Millions of Yen					
	2009	2008	2007	2006	2005	2004
Net sales	**¥196,030**	¥189,318	¥177,493	¥145,555	¥129,948	¥114,272
Net income	**15,449**	15,878	12,233	6,026	2,429	1,392
Total assets	**277,301**	243,433	215,693	180,734	168,808	168,571
Total net assets	**82,449**	77,958	69,907	60,602	52,899	50,810
Amounts per share (yen):						
Net income	**¥41.62**	¥42.77	¥32.95	¥16.07	¥6.39	¥3.75
Cash dividends applicable to the year	**¥12.00**	¥12.00	¥9.00	¥5.00	¥3.00	¥2.00

Contents

Financial Performance (Consolidated)

Operating Results

Net Sales

Sales by the Machinery Products Business for the reporting period declined slightly year-on-year, but the Steel Products Business posted good results. Total sales consequently rose 3% from the previous year, to ¥227,113 million (US$2,312 million).

Net Income

Net income fell 8% to ¥16,034 million (US$163 million). The decline is primarily due to losses on the valuation of investment securities and the disposal of facilities accompanying equipment investments. Earnings per share came to ¥43.19 (US$0.44).

Operating Income

Operating income posted an increase of 13% to ¥36,633 million (US$373 million). This is mainly attributable to growth in sales, as well as cost reductions stemming from a rise in the capacity utilization rate thanks to a steady inflow of orders for steel products and improved productivity. The Company's success in pushing through increases in selling prices to offset higher prices of raw materials was also a contributing factor.

Overseas Sales

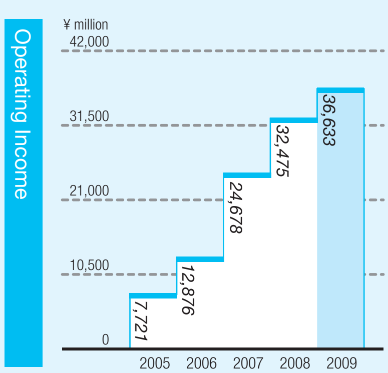
Sales in East Asian markets declined 11% from the previous year, to ¥44,343 million (US$451 million). Sales in North America increased 33% to ¥12,443 million (US$126 million), while sales in other regions rose 41% to ¥63,065 million (US$642 million). Total overseas sales grew by 15% to ¥119,853 million (US$1,220 million), accounting for 53% of the Company's net sales on a consolidated basis.

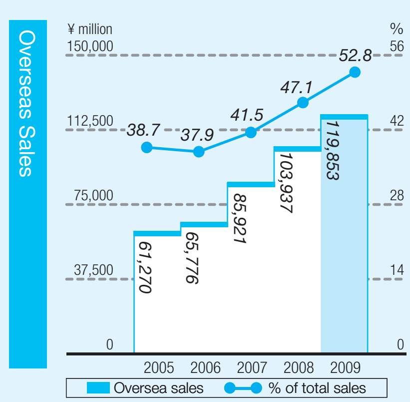
Cash Flows

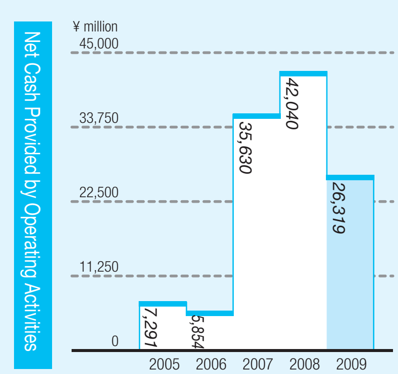
Cash and cash equivalents stood at ¥39,904 million (US$406 million) at the reporting term-end, up ¥3,771 million year-on-year. This is attributable to the posting of income before income taxes and minority interests in the amount of ¥27,630 million (US$281 million), compared with ¥30,461 million for the previous term, in addition to proceeds from long-term borrowings. These positive factors more than offset capital investment for the enhancement of production efficiency and expenditures for the acquisition of investment securities.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥26,319 million (US$268 million), down from ¥42,040 million for the previous term. This was due to the posting of ¥27,630 million (US$281 million) in income before income taxes and minority interests, as well as depreciation expenses in the amount of ¥11,873 million (US$121 million), both of which are non-cash components, and losses on the valuation of investment securities, which outweighed income taxes paid and increased expenditures to boost production.







Net Cash from Investment Activities

Net cash used in investing activities amounted to ¥33,148 million (US$337 million), up from ¥24,765 million for the previous term. This was due mainly to an investment of ¥22.2 billion (US$226 million) in property, plant and equipment for the purpose of raising production efficiency. Outlay was also made for the purchase of investment securities.

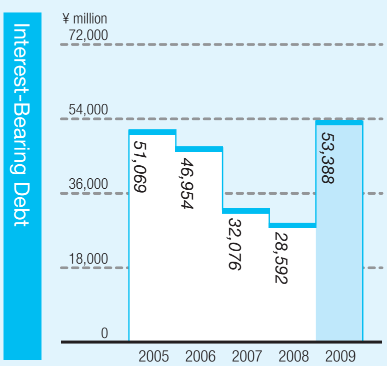
Cash Flow from Financing Activities

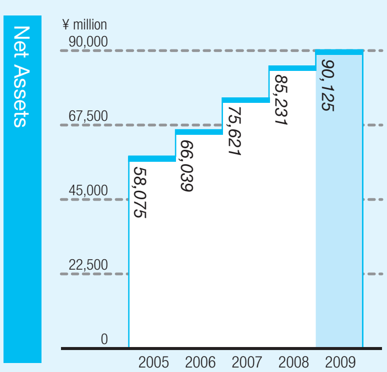
Net cash provided by financing activities amounted to ¥10,614 million (US$108 million), compared with a net cash outflow of ¥8,571 million for the previous term. This net cash inflow resulted from ¥20 billion (US$204 million) in proceeds from long- and short-term borrowings, which more than exceeded the payment of ¥5,011 million (US$51 million) in dividends to shareholders.

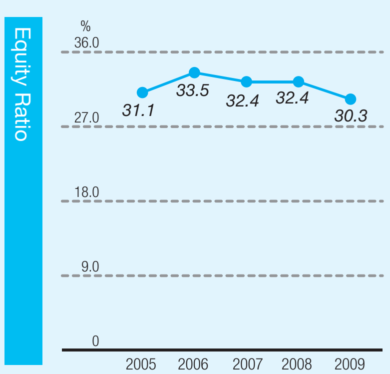
Financial Position

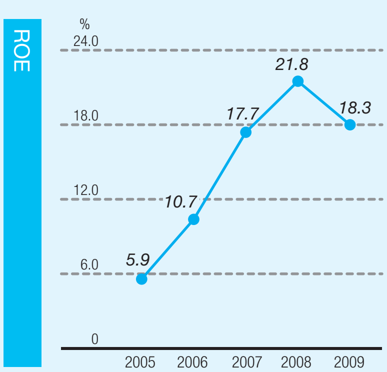
Total assets as of the end of March 2009 stood at ¥296,909 million (US$3,023 million), up ¥34,456 million, or 13%, from the previous term-end. This was due a rise in current assets caused by an increase in inventory assets (principally goods in process), and an increase in property, plant and equipment resulting from capital expenditure, mainly in the Steel Products Business, as well as an increase in lease assets following the introduction of lease accounting.

Liabilities at the reporting term-end stood at ¥206,783 million (US$2,105 million), up ¥29,561 million, or 17%, over the previous term-end. This is attributable to an increase in lease obligations accompanying the introduction of lease accounting, as well as long-term borrowings. Interest-bearing debt increased by ¥24,796 million to ¥53,388 million (US$543 million). Net assets at the reporting term-end totaled ¥90,125 million (US$917 million), for an increase of ¥4,894 million, or 6%, over the previous term-end.









THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 3) 2009
Current assets:			
Cash on hand and in banks (Note 12)	**¥ 39,957**	¥ 36,552	**$ 406,770**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**903**	176	**9,193**
Trade	**48,622**	51,909	**494,981**
Other	**143**	642	**1,456**
Less allowance for doubtful accounts	**(278)**	(315)	**(2,830)**
Inventories (Note 4)	**72,586**	66,815	**738,939**
Deferred tax assets (Note 13)	**3,499**	3,921	**35,620**
Other current assets	**8,823**	8,961	**89,820**
Total current assets	**174,258**	168,663	**1,773,979**
Property, plant and equipment, at cost (Notes 5, 6 and 8)**:**			
Land	**9,642**	9,749	**98,157**
Buildings and structures	**71,428**	64,051	**727,151**
Machinery and equipment	**95,302**	85,829	**970,192**
Leased assets	**8,075**	—	**82,205**
Construction in progress	**15,546**	3,108	**158,261**
	199,996	162,739	**2,035,997**
Less accumulated depreciation	**(108,669)**	(101,462)	**(1,106,271)**
Property, plant and equipment, net	**91,327**	61,277	**929,726**
Intangible assets	**1,318**	623	**13,417**
Investments, long-term loans and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**691**	353	**7,035**
Investment securities (Note 16)	**21,450**	24,247	**218,365**
Other long-term loans receivable	**61**	213	**621**
Deferred tax assets (Note 13)	**2,017**	1,542	**20,533**
Other assets	**6,011**	5,726	**61,193**
Less allowance for doubtful accounts	**(226)**	(196)	**(2,301)**
Total investments, long-term loans and other assets	**30,004**	31,888	**305,446**
Total assets	**¥296,909**	¥262,453	**$3,022,590**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2009	2008	Thousands of U.S. Dollars (Note 3) 2009
Current liabilities:			
Short-term bank loans (Note 8)	**¥ 6,198**	¥ 6,218	**$ 63,097**
Current portion of long-term debt (Note 8)	**2,322**	2,135	**23,638**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**95**	692	**967**
Trade	**42,457**	48,040	**432,220**
Other	**10,033**	4,490	**102,138**
Advances received for products	**44,068**	49,018	**448,621**
Accrued expenses	**—**	9,756	**—**
Accrued income taxes (Note 13)	**4,038**	9,975	**41,108**
Other current liabilities (Note 8)	**25,651**	5,981	**261,132**
Total current liabilities	**134,866**	136,308	**1,372,961**
Long-term liabilities:			
Long-term debt (Note 8)	**37,917**	20,239	**386,002**
Accrued retirement benefits (Note 15):			
For employees	**6,303**	5,484	**64,166**
For directors and corporate auditors	**185**	149	**1,883**
Deferred tax liabilities (Note 13)	**5**	1,406	**51**
Other long-term liabilities (Note 8)	**27,506**	13,633	**280,016**
Total long-term liabilities	**71,917**	40,913	**732,129**
Net assets:			
Shareholders' equity (Note 18)**:**			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued — 371,463,036 shares in 2009 and 2008	**19,694**	19,694	**200,489**
Capital surplus	**5,424**	5,422	**55,217**
Retained earnings	**69,627**	58,492	**708,816**
Treasury stock, at cost (234,126 shares in 2009 and 190,337 shares in 2008)	**(182)**	(137)	**(1,853)**
Total shareholders' equity	**94,563**	83,472	**962,669**
Valuation, translation adjustments and other:			
Net unrealized gain (loss) on investment securities	**(3,868)**	1,930	**(39,377)**
Loss on deferred hedges	**(379)**	(254)	**(3,858)**
Translation adjustments	**(435)**	(160)	**(4,428)**
Total valuation, translation adjustments and other	**(4,683)**	1,514	**(47,674)**
Minority interests	**246**	244	**2,504**
Total net assets	**90,125**	85,231	**917,490**
Total liabilities and net assets	**¥296,909**	¥262,453	**$3,022,590**

Consolidated Statements of Income

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Net sales	**¥227,113**	¥220,851	**$2,312,053**
Cost of sales (Note 14)	**161,560**	160,642	**1,644,711**
Gross profit	**65,552**	60,209	**667,332**
Selling, general and administrative expenses (Note 14)	**28,919**	27,733	**294,401**
Operating income	**36,633**	32,475	**372,931**
Other income (expenses):			
Interest and dividend income	**695**	369	**7,075**
Interest expense	**(440)**	(466)	**(4,479)**
Other, net (Note 9)	**(9,259)**	(1,916)	**(94,258)**
	(9,003)	(2,014)	**(91,652)**
Income before income taxes and minority interests	**27,630**	30,461	**281,279**
Income taxes (Note 13):			
Current	**11,612**	14,184	**118,212**
Deferred	**(39)**	(1,228)	**(397)**
Minority interests in net income of consolidated subsidiaries	**23**	21	**234**
Net income (Note 20)	**¥ 16,034**	¥ 17,484	**$ 163,229**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Common stock:			
Balance at beginning of year	¥19,694	¥19,694	$200,489
Balance at end of year	¥19,694	¥19,694	$200,489
Capital surplus:			
Balance at beginning of year	¥ 5,422	¥ 5,422	$ 55,197
Sales of treasury stock	1	—	10
Balance at end of year	¥ 5,424	¥ 5,422	$ 55,217
Retained earnings:			
Balance at beginning of year	¥58,492	¥46,019	$595,460
Adjustments for inclusion of a subsidiary in consolidation	111	—	1,130
Net income	16,034	17,484	163,229
Cash dividends paid	(5,011)	(5,012)	(51,013)
Balance at end of year	¥69,627	¥58,492	$708,816
Treasury stock, at cost:			
Balance at beginning of year	¥ (137)	¥ (59)	$ (1,395)
Purchases of treasury stock	(47)	(77)	(478)
Sales of treasury stock	2	—	20
Balance at end of year	¥ (182)	¥ (137)	$ (1,853)
Total shareholders' equity:			
Balance at beginning of year	¥83,472	¥71,077	$849,761
Net income	16,034	17,484	163,229
Cash dividends paid	(5,011)	(5,012)	(51,013)
Purchases of treasury stock	(47)	(77)	(478)
Adjustments for inclusion of a subsidiary in consolidation	111	—	1,130
Sales of treasury stock	4	—	41
Balance at end of year	¥94,563	¥83,472	$962,669
Net unrealized gain (loss) on investment securities:			
Balance at beginning of year	¥ 1,930	¥ 5,808	$ 19,648
Net changes in items other than those in shareholders' equity	(5,798)	(3,878)	(59,025)
Balance at end of year	¥ (3,868)	¥ 1,930	$ (39,377)

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Loss on deferred hedges:			
Balance at beginning of year	¥ (254)	¥ (1,364)	$ (2,586)
Net changes in items other than those in shareholders' equity	(124)	1,110	(1,262)
Balance at end of year	¥ (379)	¥ (254)	$ (3,858)
Translation adjustments:			
Balance at beginning of year	¥ (160)	¥ (118)	$ (1,629)
Net changes in items other than those in shareholders' equity	(275)	(42)	(2,800)
Balance at end of year	¥ (435)	¥ (160)	$ (4,428)
Total valuation, translation adjustments and other:			
Balance at beginning of year	¥ 1,514	¥ 4,325	$ 15,413
Net changes in items other than those in shareholders' equity	(6,198)	(2,811)	(63,097)
Balance at end of year	¥ (4,683)	¥ 1,514	$ (47,674)
Minority interests:			
Balance at beginning of year	¥ 244	¥ 218	$ 2,484
Net changes in items other than those in shareholders' equity	2	25	20
Balance at end of year	¥ 246	¥ 244	$ 2,504
Total net assets:			
Balance at beginning of year	¥85,231	¥75,621	$867,668
Net income	16,034	17,484	163,229
Cash dividends paid	(5,011)	(5,012)	(51,013)
Purchases of treasury stock	(47)	(77)	(478)
Adjustments for inclusion of a subsidiary in consolidation	111	—	1,130
Sales of treasury stock	4	—	41
Net changes in items other than those in shareholders' equity	(6,196)	(2,785)	(63,076)
Balance at end of year	¥90,125	¥85,231	$917,490

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Operating activities:			
Income before income taxes and minority interests	**¥27,630**	¥30,461	**$281,279**
Depreciation and amortization	**11,963**	9,577	**121,786**
Loss on impairment of goodwill	**2**	739	**20**
Interest and dividend income	**(695)**	(369)	**(7,075)**
Interest expense	**440**	466	**4,479**
Equity in loss (income) of unconsolidated subsidiaries and affiliates	**—**	37	**—**
Loss on write-downs of investment securities	**6,067**	258	**61,773**
Amortization of net retirement benefit obligation at transition	**765**	772	**7,788**
Loss on disposal of tangible and intangible assets	**2,109**	1,248	**21,470**
Gain and loss on sales of property, plant and equipment	**(11)**	(1,896)	**(112)**
Gain on sales of securities of affiliates	**—**	(118)	**—**
Changes in operating assets and liabilities:			
Trade assets	**7,734**	28,196	**78,734**
Trade liabilities	**(7,058)**	(5,266)	**(71,852)**
Inventories (Note 4)	**(5,771)**	(8,586)	**(58,750)**
Other	**533**	(1,890)	**5,426**
Subtotal	**43,707**	53,630	**444,946**
Interest and dividends received	**696**	392	**7,085**
Interest paid	**(434)**	(457)	**(4,418)**
Income taxes paid	**(17,650)**	(11,525)	**(179,680)**
Net cash provided by operating activities	**26,319**	42,040	**267,932**
Investing activities:			
Increase in tangible and intangible assets	**(22,200)**	(12,820)	**(226,000)**
Decrease in tangible and intangible assets	**133**	2,549	**1,354**
Purchases of investment securities	**(10,411)**	(13,941)	**(105,986)**
Proceeds from sales of investment securities	**4**	3	**41**
Proceeds from redemption of investment securities	**—**	200	**—**
Reimbursement of long-term deposits on contracts	**(426)**	(446)	**(4,337)**
(Increase) decrease in short-term loans receivable	**300**	(302)	**3,054**
Increase in long-term loans receivable	**—**	(150)	**—**
Collection of long-term loans receivable	**152**	—	**1,547**
Payments upon incorporation of unconsolidated subsidiaries	**(50)**	(100)	**(509)**
Purchases of shares of common stock of subsidiaries	**(363)**	—	**(3,695)**
Proceeds from sales of securities of affiliates	**—**	700	**—**
Other	**(287)**	(456)	**(2,922)**
Net cash used in investing activities	**(33,148)**	(24,765)	**(337,453)**
Financing activities (Note 8)**:**			
Decrease in short-term bank loans	**(20)**	(393)	**(204)**
Increase in long-term bank loans	**20,000**	4,000	**203,604**
Decrease in long-term bank loans	**(2,105)**	(7,061)	**(21,429)**
Bond payments	**(30)**	(30)	**(305)**
Dividend payments	**(5,011)**	(5,012)	**(51,013)**
Acquisition of treasury stock	**(47)**	(77)	**(478)**
Sales of treasury stock	**4**	—	**41**
Repayments of finance lease obligations	**(2,172)**	—	**(22,111)**
Other	**(2)**	2	**(20)**
Net cash provided by (used in) financing activities	**10,614**	(8,571)	**108,053**
Effect of exchange rate changes on cash and cash equivalents	**(114)**	(43)	**(1,161)**
Increase in cash and cash equivalents	**3,672**	8,660	**37,382**
Cash and cash equivalents at beginning of the year	**36,133**	27,472	**367,841**
Increase in cash and cash equivalents from newly consolidated subsidiary	**99**	—	**1,008**
Cash and cash equivalents at end of the year (Note 12)	**¥39,904**	¥36,133	**$406,230**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fiscal year 2008 (Year ended March 31, 2009)

1. Basis of Presentation

The Japan Steel Works, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile.

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

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

As of March 31, 2009, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 36 and 1 (35 and 1 in 2008), respectively.

Certain overseas subsidiaries are consolidated on the basis of fiscal periods ended December 31, and one domestic subsidiary's year end is January 31, both of which differ from that of the Company. However, the necessary adjustments have been made if the effect of the difference is material.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

Differences, between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by the straight-line-method over 5 years. However, immaterial goodwill and negative goodwill are charged or credited to income in the year of acquisition and are included in selling, general and administrative expenses.

(b) Foreign currency translation

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

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

(d) Inventories

Real estate for sale, finished products and work in process are stated at cost determined principally by the specific identification method. Raw materials are stated at cost determined principally by the moving average method.

On July 5, 2006 the Accounting Standards Board of Japan issued Statement No. 9, "Accounting Standard for Measurement of Inventories." The standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted this accounting standard. As a result, operating income decreased by ¥919 million ($9,356 thousand) and income before income taxes and minority interests decreased by ¥1,038 million ($10,567 thousand) compared with the corresponding amounts which would have been recorded under the previous method.

(e) Short-term investments and investment securities

Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible bad debts at an amount estimated based on the historical experience with bad debts on normal receivables plus an additional allowance for specific uncollectible amounts determined by reference to the collectability of individual doubtful accounts.

(g) Provision for warranties for completed construction
The Company provides a provision for warranties for completed construction by estimating losses on future possible claims.

(h) Provision for losses on orders received
The Company provides a provision for losses on orders received, but which had not been delivered at the fiscal year end, in the estimated amount of total losses anticipated in the following fiscal year and thereafter for losses deemed certain to be incurred and whose amounts can be reasonably estimated.

With respect to orders that had not been delivered as of March 31, 2008, a provision for losses on orders received was made at the estimated amount of total losses anticipated in the following fiscal year and thereafter for losses which are deemed certain to be incurred and whose amounts can be reasonably estimated. As a result, cost of sales increased by ¥647 million and operating income and income before income taxes and minority interests decreased by the same amount for the year ended March 31, 2008.

(i) Property, plant and equipment and depreciation
Property, plant and equipment is stated on the basis of cost. Depreciation of property, plant and equipment is determined by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings. With regard to the depreciation method of leased assets, the straight-line method is applied where the lease period is taken as the estimated useful life and the residual value is zero.

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

(Changes in method of accounting for depreciation)
(1) Buildings
Effective the year ended March 31, 2008, the Company and its domestic subsidiaries have changed their method of accounting for depreciation of buildings acquired on or after April 1, 2007 in accordance with the revised Corporation Tax Law. The effect of this change on operating income and income before income taxes and minority interests was not material for the year ended March 31, 2008.

(2) Structures, machinery and equipment
Until the year ended March 31, 2007, the straight-line method was applied to the depreciation of structures, and machinery and equipment excluding certain machinery. Effective the year ended March 31, 2008, the method of accounting for depreciation of these assets has been changed to the declining-balance method.

This change resulted from the fact that, in order to address the substantial increase in the number of orders for high-quality and large-sized products, influenced by changes in the international energy structure and exposed global environmental problems, which in turn increased the burden on production facilities and had increased the cost of repairs, the Company and its subsidiaries started to transform their production system effective the year ended March 31, 2008 as set forth in the revised medium-term management plan, “J-2008(R),” released on May 14, 2007.

As a result of the change in method of accounting for depreciation, depreciation expense increased by ¥3,294 million, operating income decreased by ¥2,401 million and income before income taxes and minority interests deceased by ¥2,402 million compared with the corresponding amounts which would have been recorded under the previous method.

(Additional information)
Regarding property, plant and equipment acquired on or before March 31, 2007, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have adopted a method of accounting for depreciation that conforms to the revised Corporation Tax Law. Specifically, when the book value of an asset reaches 5% of its acquisition cost based on the method of accounting for depreciation applied prior to the revision, the difference between the amount equivalent to 5% of acquisition cost and memorandum value of the asset is depreciated by the straight-line method over a period of five years from the year following the year in which the book value of the asset reaches 5% of its acquisition cost, and such depreciation is reported as depreciation expense. As a result, operating income decreased by ¥535 million and income before income taxes and minority interests deceased by ¥536 million from the corresponding amounts which would have been recorded under the previous method.

Regarding machinery, effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed certain estimated useful lives in accordance with the revised Corporation Tax Law.

The effect of this change on operating income and income before income taxes and minority interests was not material for the year ended March 31, 2009.

(j) Bond issuance expenses
Bond issuance expenses are charged to income as incurred.

(k) Leases
Until the year ended March 31, 2008, non-cancelable lease transactions were primarily accounted for as operating lease transactions (whether such leases were classified as operating or finance leases), except that lease agreements which stipulated the transfer of ownership of the leased assets to the lessee were accounted for as finance leases. Effective the year ended March 31, 2009 the Company and its domestic subsidiaries adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 (First Committee of the Business Accounting Council June 17, 1993, revised on March 30, 2007)) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 (Accounting System Committee of the Japanese Institute of Certified Public Accountants January 18, 1994, revised on March 30, 2007)), and those lease transactions are now treated as normal sales and purchase transactions.

The effect of this change on operating income and income before income taxes and minority interests was not material for the year ended March 31, 2009.

(l) Retirement benefits
An employee whose employment is terminated is entitled, in most cases, to a lump-sum severance payment determined by reference to the current basic rate of pay, length of service and the conditions under which the termination occurs.

Accrued retirement benefits for employees at March 31, 2009 and 2008 have been provided primarily at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for the unrecognized net retirement benefit obligation at transition, prior service cost and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 10 years by the straight-line method. In addition, accrued retirement benefits for directors and corporate auditors are provided at an amount to be required at the year-end according to internal regulations.

Prior service cost is being amortized as incurred by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees participating in the plans.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated balance sheets at March 31, 2009 and 2008 with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Research and development expenses

Research and development expenses are charged to income when incurred.

(o) Revenue recognition

Revenues are generally recognized on sales of products at the time of shipment or on a completed-contract basis, except for those related to large-scale contracts with long-term construction periods of 2 years or more and contracted amounts of ¥3 billion or more which are recognized by the percentage-of-completion method.

(p) Derivatives

Derivatives positions are stated at fair value. Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

(q) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On May 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted this accounting standard, making the necessary adjustments.

The effect of this change on operating income and income before income taxes and minority interests was not material for the year ended March 31, 2009.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollars is included solely for convenience, as a matter of arithmetic computation only, at ¥98.23 = U.S.$1.00, the rate of exchange prevailing on March 31, 2009. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Real estate for sale	**¥ 43**	¥ 43	**$ 438**
Finished products	**1,577**	1,602	**16,054**
Work in process	**65,137**	60,305	**663,107**
Raw materials and supplies	**5,829**	4,864	**59,340**
Total	**¥72,586**	¥66,815	**$738,939**

5. Depreciation

Depreciation expense for property, plant and equipment for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Depreciation expense	**¥11,460**	¥9,249	**$116,665**

6. Advanced Depreciation

Accumulated advanced depreciation related to government grants received has been deducted directly from the acquisition costs of certain tangible fixed assets (plant, machinery and equipment). Such depreciation expense for the years ended March 31,2009 and 2008 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Advanced depreciation expense	**¥308**	¥308	**$3,135**

7. Contingent Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
As endorsers of trade notes receivable:			
Endorsed with other	**¥ 81**	¥ 72	**$ 825**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	**616**	669	**6,271**
Medical Corporation Bokoi	**2,000**	1,895	**20,360**
Employees and other	**781**	943	**7,951**
Total	**¥3,480**	¥3,580	**$35,427**

Medical Corporation Bokoi had a temporary net asset deficiency at March 31, 2009. It is reorganizing its businesses based on its medium-term management plan and its financial condition is expected to improve after the next fiscal year. The Company was offered mortgage collateral in return for its guarantee of the loan to Medical Corporation Bokoi.

8. Short-Term Bank Loans and Long-Term Debt

All short-term bank loans, with interest at annual rates ranging from 0.84% to 1.895% at March 31, 2009 and 1.10% to 1.875% at March 31, 2008, were unsecured.

Long-term debt at March 31, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans from banks and insurance companies with interest at annual rates ranging from 1.4% to 2.15%	**¥30,239**	¥12,344	**$307,839**
Less those maturing within one year	**(2,322)**	(2,105)	**(23,638)**
Lease obligations	**6,951**	—	**70,762**
Less those maturing within one year	**(2,125)**	—	**(21,633)**
0.72% straight bonds, due 2009	**—**	30	**—**
Less those maturing within one year	**—**	(30)	**—**
0.92% straight bonds, due 2010	**10,000**	10,000	**101,802**
Long-term indebtedness reflected in the consolidated balance sheets	**¥42,742**	¥20,239	**$435,122**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2009 are summarized below:

	Millions of Yen		Thousands of U.S. Dollars	
Year ending March 31,	Long-term debt	Lease obligations	Long-term debt	Lease obligations
2010	¥ 2,322	¥2,125	$ 23,638	$21,633
2011	10,647	1,790	108,388	18,223
2012	570	1,436	5,803	14,619
2013	13,540	1,033	137,840	10,516
2014	10,240	319	104,245	3,247
2015 and thereafter	2,920	244	29,726	2,484

The assets pledged as collateral for long-term debt of ¥759 million ($7,727 thousand) at March 31, 2009 and ¥2,124 million at March 31, 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Property, plant and equipment, at net book value	**¥9,723**	¥10,777	**$98,982**

9. Other Income (Expenses) — Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loss on sales or disposal of property, plant and equipment	**¥(2,112)**	¥(1,293)	**$(21,501)**
Gain on sales of property, plant and equipment	**14**	1,941	**143**
Gain on sales of raw materials and supplies	**225**	341	**2,291**
Amortization of net retirement benefit obligation at transition	**(693)**	(693)	**(7,055)**
Provision for warranties for completed construction	**(93)**	(665)	**(947)**
Gain on sales of securities of affiliates	**—**	118	**—**
Loss on write-downs of investment securities	**(6,067)**	(258)	**(61,763)**
Impairment loss	**(2)**	(739)	**(20)**
Expenses for relocation of the head office	**—**	(152)	**—**
Other, net	**(529)**	(514)	**(5,385)**
Total	**¥(9,259)**	¥(1,916)	**$(94,258)**

10. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets recognized by the Company and its consolidated subsidiaries for the year ended March 31, 2008 was as follows:

Location	Use	Classification
Yokohama-shi, Kanagawa prefecture (a subsidiary engaged in the machinery products business)	—	Goodwill

The Company and its consolidated subsidiaries group assets into the smallest possible independent cash flow generating units on the basis of managerial accounting.

The above goodwill was written down to its recoverable value, resulting in an impairment loss of ¥739 million, because the related subsidiary was unable to generate the amount of profit set forth in the initial plan when the investment in the subsidiary had been determined by the Company.

The recoverable value was measured on the basis of a revised business plan for the asset group.

11. Leases

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation/amortization and net book value of the leased property as of March 31, 2008, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to finance leases accounted for as operating leases:

Year ended March 31, 2008

	Millions of Yen		
	Acquisition cost	Accumulated depreciation/ amortization	Net book value
Buildings	¥ 8	¥ 2	¥ 5
Machinery and vehicles	4,836	2,137	2,699
Equipment	2,721	1,381	1,340
Software	306	188	117
Total	¥7,872	¥3,710	¥4,162

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,269 million, which was equal to the depreciation/amortization of the leased assets computed by the straight-line method over the respective lease terms, for the year ended March 31, 2008.

Future minimum lease payments subsequent to March 31, 2008 under non-cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of Yen	
Year ending March 31,	Finance leases	Operating leases
2009	¥1,297	¥ 517
2010 and thereafter	2,865	791
Total	¥4,162	¥1,308

Year ended March 31, 2009

Future minimum lease payments subsequent to March 31, 2009 under non-cancelable operating leases are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,	Operating leases	Operating leases
2010	**¥ 765**	**$ 7,788**
2011 and thereafter	**1,485**	**15,118**
Total	**¥2,251**	**$22,916**

12. Cash Flow Information

(a) Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows and cash on hand and in banks in the accompanying consolidated balance sheets at March 31, 2009 and 2008 are reconciled as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Cash on hand and in banks in the consolidated balance sheets	**¥39,957**	¥36,552	**$406,770**
Investment with a maturity of three months or less from the date of acquisition	**137**	—	**1,395**
Time deposits with maturities of over three months	**(190)**	(418)	**(1,934)**
Cash and cash equivalents in the consolidated statements of cash flow	**¥39,904**	¥36,133	**$406,230**

(b) Non-cash items

Regarding finance lease transactions, assets and liabilities that have been accounted for by the Company and its domestic consolidated subsidiaries amounted to ¥6,933 million ($70,579 thousand) and ¥6,951 million ($70,762 thousand) for the year ended March 31, 2009.

13. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, enterprise taxes and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the years ended March 31, 2009 and 2008. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation.

The Company has omitted reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2009 because the difference between these rates was less than 5%.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 differs from the statutory tax rate for reasons summarized in the table below:

	2008
Statutory tax rate	40.5%
Effect of:	
Increase in valuation allowance	3.0
Income taxes paid for prior years	—
Other	(1.0)
Effective tax rates	42.5%

The significant components of the Company's deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 326**	¥ 766	**$ 3,319**
Accrued bonuses	**1,430**	1,493	**14,558**
Unrealized gain on intercompany transactions	**639**	584	**6,505**
Accrued retirement benefits for employees	**3,934**	3,583	**40,049**
Accrued retirement benefits for directors and corporate auditors	**179**	146	**1,822**
Loss on revaluation of inventory items	**423**	75	**4,306**
Loss on revaluation of monetary goods	**1,004**	1,140	**10,221**
Depreciation	**1,213**	1,176	**12,349**
Provision for warranties for completed construction	**369**	320	**3,756**
Provision for losses on orders received	**149**	262	**1,517**
PCB disposal expenses	**164**	188	**1,670**
Tax loss carryforwards	**305**	176	**3,105**
Loss on deferred hedges	**418**	406	**4,255**
Unrealized loss on investment securities	**2,322**	811	**23,638**
Other	**469**	297	**4,775**
Gross deferred tax assets	**13,350**	11,431	**135,906**
Valuation allowance	**(3,197)**	(1,443)	**(32,546)**
Total deferred tax assets	**10,153**	9,987	**103,359**
Deferred tax liabilities:			
Reserve for advanced depreciation	**2,526**	1,995	**25,715**
Reserve for special account for advanced depreciation	**—**	634	**—**
Reserve for special depreciation	**161**	—	**1,639**
Prepaid pension cost	**945**	874	**9,620**
Unrealized gain on investment securities	**757**	2,124	**7,706**
Gain on deferred hedges	**160**	233	**1,629**
Reversal of allowance for doubtful accounts	**61**	49	**621**
Other	**30**	14	**305**
Total deferred tax liabilities	**4,643**	5,926	**47,267**
Net deferred tax assets	**¥ 5,510**	¥ 4,058	**$ 56,093**

14. Research and Development Expenses

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Research and development expenses	**¥4,178**	¥3,402	**$42,533**

15. Employees' Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
1. Retirement benefit obligation	**¥(27,596)**	¥(27,918)	**$(280,933)**
2. Plan assets at fair value	**13,081**	17,201	**133,167**
3. Unfunded retirement benefit obligation (1+2)	**(14,515)**	(10,717)	**(147,765)**
4. Unrecognized net retirement benefit obligation at transition	**765**	1,530	**7,788**
5. Unrecognized actuarial loss	**8,961**	4,887	**91,225**
6. Prior service cost	**819**	974	**8,338**
7. Subtotal (3+4+5+6)	**(3,968)**	(3,325)	**(40,395)**
8. Accrued retirement benefits	**¥ (6,303)**	¥ (5,484)	**$ (64,166)**
9. Prepaid pension cost	**¥ 2,334**	¥ 2,159	**$ 23,761**

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
1. Service cost	**¥1,785**	¥1,756	**$18,172**
2. Interest cost	**434**	451	**4,418**
3. Expected return on plan assets	**(329)**	(410)	**(3,349)**
4. Amortization of net retirement benefit obligation at transition	**765**	772	**7,788**
5. Amortization of actuarial loss	**974**	191	**9,916**
6. Amortization of prior service cost	**155**	155	**1,578**
7. Retirement benefit expenses	**¥3,784**	¥2,916	**$38,522**

The assumptions used in accounting for the above plans were as follows:

	2009	2008
Discount rate	**2.00%**	2.00%
Expected rate of return on plan assets	**2.00%**	2.00%

16. Securities

Securities are judged to be "substantially declined" when their market values have declined 30% or more. When their market values have declined 50% or more, the impairment losses are recorded on those securities. When their market values have declined between 30% and 50%, the impairment losses are recorded on those securities unless such values are considered to be recoverable individually.

March 31, 2009

(a) Other investment securities with determinable fair value were as follows:

	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
Stocks	**¥ 3,174**	**¥ 5,045**	**¥ 1,870**
Carrying value does not exceed acquisition cost:			
Stocks	**26,378**	**14,573**	**(11,805)**
Total	**¥29,553**	**¥19,618**	**¥ (9,934)**

	Thousands of U.S. Dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
Stocks	**$ 32,312**	**$ 51,359**	**$ 19,037**
Carrying value does not exceed acquisition cost:			
Stocks	**268,533**	**148,356**	**(120,177)**
Total	**$300,855**	**$199,715**	**$(101,130)**

(b) Other investment securities without determinable fair value were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other unlisted securities	**¥1,831**	**$18,640**

March 31, 2008

(a) Other investment securities with determinable fair value were as follows:

	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
Stocks	¥ 6,432	¥11,679	¥5,246
Carrying value does not exceed acquisition cost:			
Stocks	13,174	10,930	(2,243)
Total	¥19,606	¥22,609	¥3,003

(b) Other investment securities without determinable fair value were as follows:

	Millions of Yen
Other unlisted securities	¥1,637

17. Liquidation of Notes and Accounts Receivable

Accounts receivable deducted from trade receivables for liquidation at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accounts receivable	**¥6,011**	¥6,776	**$61,193**

18. Supplementary Information for Consolidated Statements of Changes in Net Assets

Year ended March 31, 2009

(a) Total number and periodic changes in number of shares in issue and treasury stock by type were as follows:

	Number of shares			
	End of March 31, 2008	Increase during the year	Decrease during the year	End of March 31, 2009
Issued stock:				
Common shares	371,463,036	—	—	371,463,036
Treasury stock:				
Common shares	234,126	30,687	3,473	261,340

Notes 1: The increase in the number of common shares held in treasury of 30,687 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in the number of common shares held in treasury of 3,473 was due to sales of shares to shareholders with fractional shares of less than one unit.

(b) Dividends

(1) Dividends paid to shareholders

(i)Approved:	Ordinary general meeting of shareholders held on June 27, 2008
Type of shares:	Common stock
Total amount of dividends:	¥2,784 million ($28,342 thousand)
Dividends per share:	¥7.5 ($0.076)
Record date:	March 31, 2008
Effective date:	June 30, 2008
(ii)Approved:	Meeting of Board of Directors held on November 4, 2008
Type of shares:	Common stock
Total amount of dividends:	¥2,227 million ($22,671 thousand)
Dividends per share:	¥6 ($0.061)
Record date:	September 30, 2008
Effective date:	December 8, 2008

(2) Dividends whose record date fell in the year ended March 31, 2009, but whose effective date is after the year then ended

Approved:	Ordinary general meeting of shareholders held on June 29, 2009
Type of shares:	Common stock
Total amount of dividends:	¥2,227 million ($22,671 thousand)
Dividends per share:	¥6 ($0.061)
Record date:	March 31, 2009
Effective date:	June 30, 2009
Source of dividends:	Retained earnings

Year ended March 31, 2008

(a) Total number and periodic changes in number of shares in issue and treasury stock by type were as follows:

	Number of shares			
	End of March 31, 2007	Increase during the year	Decrease during the year	End of March 31, 2008
Issued stock:				
Common shares	371,463,036	—	—	371,463,036
Treasury stock:				
Common shares	190,337	43,789	—	234,126

Note: The increase in the number of common shares held in treasury of 43,789 was due to the acquisition of fractional shares of less than one unit.

(b) Dividends

(1) Dividends paid to shareholders

(i)Approved: Ordinary general meeting of shareholders held on June 28, 2007
Type of shares: Common stock
Total amount of dividends: ¥3,341 million
Dividends per share: ¥9
Record date: March 31, 2007
Effective date: June 29, 2007

(ii)Approved: Meeting of Board of Directors held on September 19, 2007
Type of shares: Common stock
Total amount of dividends: ¥1,670 million
Dividends per share: ¥4.5
Record date: September 30, 2007
Effective date: December 10, 2007

(2) Dividends whose record date fell in the year ended March 31, 2008, but whose effective date is in the following fiscal year

Approved: Ordinary general meeting of shareholders held on June 27, 2008
Type of shares: Common stock
Total amount of dividends: ¥2,784 million
Dividends per share: ¥7.5
Record date: March 31, 2008
Effective date: June 30, 2008
Source of dividends: Retained earnings

19. Shareholders' Equity

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

20. Amounts per Share

Net income per share is calculated based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Net assets per share are calculated based on the number of shares of common stock outstanding at each year end. Amounts per share at March 31, 2009 and 2008 and for the years then ended were as follows:

	Yen		U.S. Dollars
	Year ended March 31,		Year ended March 31,
	2009	2008	**2009**
Net income	**¥ 43.19**	¥ 47.10	**$0.44**
Net assets	**242.13**	228.93	**2.46**

21. Segment Information

The Company and its consolidated subsidiaries operate in the following three business segments:

• Operations in the steel products segment include steel castings and forgings, steel plates, pressure vessels and steel structures.

• Operations in the machinery products segment include injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products.

• Operations in the regional development segment include the Fuchu Intelligent Park Project and the leasing of real estate.

(a) Business segment information

(Change in method of accounting for depreciation)

As described in Note 2(i), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of structures, and machinery and equipment from the straight-line method to the declining-balance method.

The effect of this change was to increase depreciation expense in the "Steel products" segment by ¥2,314 million, in the "Machinery products" segment by ¥960 million, in the "Regional development" segment by ¥9 million, and in "Eliminations and corporate" by ¥10 million. Operating expenses increased in the "Steel products" segment by ¥1,573 million, in the "Machinery products" segment by ¥809 million, in the "Regional development" segment by ¥9 million and in "Eliminations and corporate" by ¥9 million. Operating income decreased by the same amounts as the corresponding increases in operating expenses for the year ended March 31, 2008 compared with the corresponding amounts which would have been recorded under the previous method.

(Depreciation expense)

As described in Note 2(i), regarding property, plant and equipment acquired on or before March 31, 2007, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have adopted a method of accounting for depreciation that conforms to the revised Corporation Tax Law. Specifically, when the book value of an asset reaches 5% of its acquisition cost based on the method of accounting for depreciation applied prior to the revision, the difference between the amount equivalent to 5% of acquisition cost and memorandum value of the asset is depreciated by the straight-line method over a period of five years from the year following the year in which the book value of the asset reaches 5% of its acquisition cost, and such depreciation is reported as depreciation expense. As a result, depreciation expense increased in the "Steel products" segment by ¥365 million, in the "Machinery products" segment by ¥277 million, in the "Regional development" segment by ¥4 million and in "Eliminations and corporate" by ¥10 million. Operating expenses increased in the "Steel products" segment by ¥278 million, in the "Machinery products" segment by ¥242 million, in the "Regional development" segment by ¥4 million and in "Eliminations and corporate" by ¥10 million. Operating income decreased by the same amounts as the corresponding increases in operating expenses for the year ended March 31, 2008 compared with the corresponding amounts which would have been recorded under the previous method.

(Provision for losses on orders received)
As described in Note 2(h), with respect to orders that have not yet been delivered as of March 31, 2008, a provision for losses on orders received was made at the estimated amount of total losses anticipated in the following fiscal year and thereafter for losses which are deemed certain to be incurred and whose amounts can be reasonably estimated. As a result, operating expenses increased in the "Machinery products" segment by ¥647 million and operating income decreased in that segment by the same amount for the year ended March 31, 2008.

(Inventories)
As described in Note 2(d), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories." As a result, operating expenses increased in the "Steel products" segment by ¥677 million ($6,892 thousand) and in the "Machinery products" segment by ¥241 million ($2,453 thousand). Operating income decreased by the same amounts as the corresponding increases in operating expenses for the year ended March 31, 2009 compared with the corresponding amounts which would have been recorded under the previous method.

	Millions of Yen					
Year ended March 31, 2009	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
Sales and operating income:						
Sales to third parties	**¥107,883**	**¥117,462**	**¥ 1,767**	**¥227,113**	**¥ —**	**¥227,113**
Intra-group sales and transfers	**1,956**	**328**	**6**	**2,291**	**(2,291)**	**—**
Net sales	**109,840**	**117,791**	**1,773**	**229,405**	**(2,291)**	**227,113**
Operating expenses	**78,367**	**106,355**	**1,029**	**185,751**	**4,727**	**190,479**
Operating income	**¥ 31,473**	**¥ 11,435**	**¥ 743**	**¥ 43,653**	**¥ (7,019)**	**¥ 36,633**
Total assets, depreciation expense, loss on impairment of goodwill and capital expenditures:						
Total assets	**¥122,832**	**¥ 94,727**	**¥13,016**	**¥230,575**	**¥66,333**	**¥296,909**
Depreciation expense	**7,559**	**3,755**	**311**	**11,625**	**247**	**11,873**
Loss on impairment of goodwill	**1**	**—**	**—**	**1**	**1**	**2**
Capital expenditures	**22,555**	**3,135**	**43**	**25,734**	**147**	**25,882**

	Thousands of U.S. Dollars					
Year ended March 31, 2009	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
Sales and operating income:						
Sales to third parties	**$1,098,269**	**$1,195,785**	**$ 17,988**	**$2,312,053**	**$ —**	**$2,312,053**
Intra-group sales and transfers	**19,912**	**3,339**	**61**	**23,323**	**(23,323)**	**—**
Net sales	**1,118,192**	**1,199,135**	**18,049**	**2,335,386**	**(23,323)**	**2,312,053**
Operating expenses	**797,791**	**1,082,714**	**10,475**	**1,890,980**	**48,122**	**1,939,112**
Operating income	**$ 320,401**	**$ 116,410**	**$ 7,564**	**$ 444,396**	**$ (71,455)**	**$ 372,931**
Total assets, depreciation expense, loss on impairment of goodwill and capital expenditures:						
Total assets	**$1,250,453**	**$ 964,339**	**$132,505**	**$2,347,297**	**$675,283**	**$3,022,590**
Depreciation expense	**76,952**	**38,227**	**3,166**	**118,345**	**2,515**	**120,869**
Loss on impairment of goodwill	**10**	**—**	**—**	**10**	**10**	**20**
Capital expenditures	**229,614**	**31,915**	**438**	**261,977**	**1,496**	**263,484**

	Millions of Yen					
Year ended March 31, 2008	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
Sales and operating income:						
Sales to third parties	¥92,613	¥126,155	¥ 2,082	¥220,851	¥ —	¥220,851
Intra-group sales and transfers	2,235	308	66	2,610	(2,610)	—
Net sales	94,848	126,464	2,149	223,462	(2,610)	220,851
Operating expenses	69,662	113,200	1,460	184,323	4,052	188,375
Operating income	¥25,185	¥ 13,263	¥ 689	¥ 39,138	¥ (6,662)	¥ 32,475
Total assets, depreciation expense and capital expenditures:						
Total assets	¥90,741	¥ 94,718	¥13,276	¥198,737	¥63,716	¥262,453
Depreciation expense	5,802	3,023	334	9,160	151	9,311
Loss on impairment of goodwill	—	—	—	—	739	739
Capital expenditures	7,896	3,563	267	11,727	367	12,095

(b) Geographical segment information
(Change in method of accounting for depreciation)
As described in Note 2(i), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of structures, and machinery and equipment from the straight-line method to the declining-balance method.

The effect of this change was to increase operating expenses in the "Japan" segment by ¥2,392 million and in "Eliminations and corporate" by ¥9 million and to decrease operating income by the same amounts as the corresponding increases in operating expenses for the year ended March 31, 2008 compared with the corresponding amounts which would have been recorded under the previous method.

(Depreciation expense)
As described in Note 2(i), regarding property, plant and equipment acquired on or before March 31, 2007, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have adopted a method of accounting for depreciation that conforms to the revised Corporation Tax Law. Specifically, when the book value of an asset reaches 5% of its acquisition cost based on the method of accounting for depreciation applied prior to the revision, the difference between the amount equivalent to 5% of acquisition cost and memorandum value of the asset is depreciated by the straight-line method over a period of five years from the year following the year in which the book value of the asset reaches 5% of its acquisition cost, and such depreciation is reported as depreciation expense. As a result, operating expenses increased in the "Japan" segment by ¥525 million and in "Eliminations and corporate" by ¥10 million and operating income decreased by the same amounts as the corresponding increases in operating expenses for the year ended March 31, 2008 compared with the corresponding amounts which would have been recorded under the previous method.

(Provision for losses on orders received)
As described in Note 2(h), with respect to orders that had not been delivered as of March 31, 2008, a provision for losses on orders received was made at the estimated amount of total losses anticipated in the following fiscal year and thereafter for losses which are deemed certain to be incurred and whose amounts can be reasonably estimated. As a result, operating expenses increased in the "Japan" segment by ¥647 million and operating income decreased in that segment by the same amount for the year ended March 31, 2008.

The Company has omitted geographical segment information for the year ended March 31, 2009 because net sales and total assets in the "Japan" segment were more than 90% of those of all segments.

	Millions of Yen					
Year ended March 31, 2008	Japan	North America	Asia (except Japan)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:						
Sales to third parties	¥213,344	¥2,685	¥4,821	¥220,851	¥ —	¥220,851
Inter-area sales and transfers	6,000	166	1,020	7,186	(7,186)	—
Net sales	219,344	2,851	5,841	228,038	(7,186)	220,851
Operating expenses	180,891	2,671	5,648	189,211	(835)	188,375
Operating income	¥ 38,453	¥ 180	¥ 193	¥ 38,826	¥ (6,351)	¥ 32,475
Total assets	¥197,180	¥2,350	¥3,895	¥203,426	¥59,027	¥262,453

(c) Overseas sales information
Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its overseas consolidated subsidiaries, for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen			
Year ended March 31, 2009	East Asia	North America	Other	Total
Overseas sales	**¥44,343**	**¥12,443**	**¥63,065**	**¥119,853**
Total consolidated sales				**¥227,113**
Overseas sales as a percentage of total consolidated sales (%)	**19.5**	**5.5**	**27.8**	**52.8**

	Thousands of U.S. Dollars			
Year ended March 31, 2009	East Asia	North America	Other	Total
Overseas sales	**$451,420**	**$126,672**	**$642,014**	**$1,220,126**
Total consolidated sales				**$2,312,053**
Overseas sales as a percentage of total consolidated sales (%)	**19.5**	**5.5**	**27.8**	**52.8**

	Millions of Yen			
Year ended March 31, 2008	East Asia	North America	Other	Total
Overseas sales	¥49,737	¥9,371	¥44,828	¥103,937
Total consolidated sales				¥220,851
Overseas sales as a percentage of total consolidated sales (%)	22.5	4.2	20.3	47.1

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated balance sheets of The Japan Steel Works, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Japan Steel Works, Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2(d), effective the year ended March 31, 2009, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories."

As described in Note 2(i), effective the year ended March 31, 2008, the Company and its consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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.

Ernst & Young
ShinNihon LLC

June 29, 2009

Corporate Directory

Stock Information

Authorized Shares
1,000,000,000 shares

Issued and Outstanding Shares
371,463,036 shares

Shareholders
43,130

Stock Listings
Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

Transfer Agent and Registrar
The Chuo Mitsui Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku,
Tokyo, Japan

Major Shareholders (holding %)

The Master Trust Bank of Japan, Ltd. (Trust Account)	6.67%
Japan Trustee Services Bank, Ltd. (Trust Account)	6.28%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	3.84%
Sumitomo Mitsui Banking Corp.	3.38%
The Chuo Mitsui Trust & Banking Co., Ltd.	2.96%
Mitsui Sumitomo Insurance Co., Ltd.	2.38%
Mitsui Life Insurance Co., Ltd.	2.27%
Hitachi, Ltd.	1.36%
Mitsubishi Heavy Industries, Ltd.	1.36%
BNP-PARIBAS SECURITIES SERVICES PARIS/JASDEC FRENCH RESIDENTS	1.33%

Corporate Data

Trade Name
The Japan Steel Works, Ltd.

Head Office
Gate City Ohsaki-West Tower,
11-1, Osaki 1-chome,
Shinagawa-ku, Tokyo, Japan

Foundation
November 1, 1907

Paid-in Capital
¥19,694 million

Employees
2,039 (Consolidated 4,752)

Auditor
Ernst & Young ShinNihon
Hibiya Kokusai Bldg.,
2-3, Uchisaiwai-cho 2-chome,
Chiyoda-ku, Tokyo, Japan

(as of March 31, 2009)

JSW's Stock Prices

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Printed in Japan DJ JI. JI. H. C