Annual Report 2010

for the year ended March 31, 2010

JSW

THE JAPAN STEEL WORKS, LTD.

Profile

Founded in 1907 in Muroran, Hokkaido — the center of steel production in Japan — The Japan Steel Works, Ltd. began as a joint venture with Britain's Sir W.G. Armstrong, Whitworth & Co., Ltd., and Vickers Sons and Maxim, Ltd. with the goal of domestic weapons production in Japan.

After World War II, the Company turned its sophisticated technologies and considerable experience to the task of meeting peacetime needs. From steel manufacturing and machinery development, to new business fields such as automobiles, electrical equipment, information equipment, as well as heavy industries such as electricity, steel, shipbuilding, and petrochemicals, the Company widened its business horizons, and began to earn a worldwide reputation as **an integrated producer of steel materials and manufacturer of machinery**.

At present, meeting the needs of IT-related industries, such as information and communication, JSW's global activities stretch beyond its existing fields to encompass the development of such cutting-edge technologies as new energy, natural energy, new materials, optics, and electronics. The Company is also active in new fields such as environmental businesses as **a comprehensive material provider and manufacturer of mechatronic products**. Always ahead of trends in society and industry, JSW is preparing for sustained and vigorous growth in a wide number of emerging areas to satisfy the demands of its customers, shareholders and employees. In this way JSW aims to enhance its enterprise value.

Contents

Forward-Looking Statements

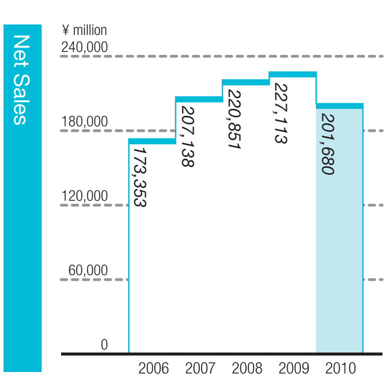
The forward-looking statements in this annual report reflect judgments based on information available at the present time. Actual results may differ widely due to various factors.

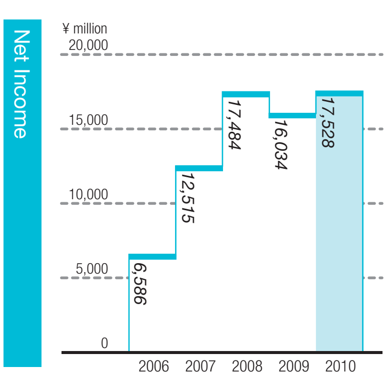
Financial Highlights (Consolidated)

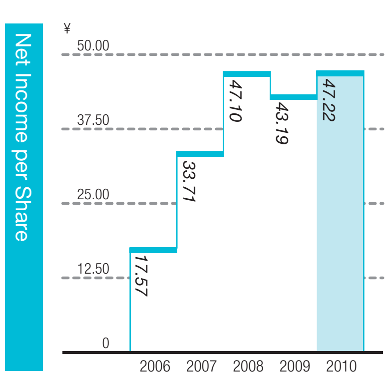
THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
For the year:				
Net sales	**¥201,680**	¥227,113	¥220,851	**$2,167,670**
Operating income	**32,185**	36,633	32,475	**345,926**
Net income	**17,528**	16,034	17,484	**188,392**
At year-end:				
Total assets	**322,986**	296,909	262,453	**3,471,475**
Total net assets	**111,149**	90,125	85,231	**1,194,637**
Ratios:				
ROE	**17.6%**	18.3%	21.8%	
Equity ratio	**34.0%**	30.3%	32.4%	
Amounts per share (yen and U.S. dollars):				
Net income	**¥47.22**	¥43.19	¥47.10	**$0.51**
Cash dividends applicable to the year	**12.00**	12.00	12.00	**0.12**

Note: Amounts in U.S. dollars are presented solely for convenience and based on the rate of ¥93.04 = US$1.00, the rate of exchange on March 31, 2010, the date of the Company's most recent balance sheet.







Message from the President

Aiming to be the number one global *monozukuri* company

Ikuo Sato
Representative Director & President

Business performance

In the fiscal year ended March 31, 2010, while global financial market confusion subsided and economic recovery in emerging nations including China drove overseas demand, Japan's economy, appeared to have bottomed due to inventory adjustments and other factors. Nevertheless, with the strong yen and low capital investments along with continuing deflation and still adverse employment conditions, the economic situation remained unpredictable.

Amid this environment, and despite our focus on capturing demand in emerging economies to further build up Group enterprise value, orders received in fiscal 2009 fell 13% year on year on a consolidated basis to ¥209,843 million (US$2,255 million), due to a weak performance by the Steel Products and Machinery Products businesses. The lackluster year for these two divisions also pushed sales down 11% year on year on a consolidated basis, to ¥201,680 million (US$2,167 million).

At the bottom line, we took proactive steps to lower our break-even point by slashing the cost of sales (targeting variable costs and further pruning fixed costs), increasing production volume and streamlining production through large-scale capital investments, and rationalizing inventory and accounts receivable management to further strengthen our financial position. Nonetheless, operating income fell 12% year on year to ¥32,185 million (US$345 million) in light of the lower sales figure, and ordinary income slipped 13% to ¥31,246 million (US$335 million). Net income climbed 9% to ¥17,528 million (US$188 million) due to a shrinking loss on disposal of tangible and intangible assets resulting from capital investments recorded in the previous fiscal year and a decreasing loss on write-downs of investment securities. Orders were also down, therefore net sales declined in both the Steel Products and Machinery Products segments, coming in at ¥209,843 million (US$2,255 million), a 13% year-on-year decrease.

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 2010

Despite a recovery phase in Japan's economic situation, its future remains uncertain due to financial instability and the appreciating yen. By segment, against a backdrop of growing global energy demand including that from emerging countries, sales in the Steel Products segment for components for thermal and nuclear power plants are expected to remain firm. Demand for clad pipe for use in natural gas fields should also increase. In the Machinery Products segment, while demand for wind turbine system equipment, which depends heavily on future government policies, is expected to decline due to a temporary slow down in growth, demand for plastic injection molding machines should rise thanks to a pickup in automotive demand in China and a step up in LED-related investments in Japan. Despite stiff competition with European firms that have been heavily hit by fluctuating exchange rates, demand for plastics manufacturing and processing machinery should increase owing to the expected resumption of planned investment in China and other emerging countries.

Thanks to rising capacity utilization due to increased orders and extensive and rigorous cost reduction activities, we can expect to see a rise in profitability. Even so, we expect profits to decline temporarily owing to a higher depreciation burden associated with large capital investments in the Muroran Plant, the effects of sharply rising raw material prices and other factors.

Demand for components for nuclear power plants and clad pipes should remain brisk. Although pressure vessels for oil refineries are expected to face stiffer competition due to the appreciating yen, demand is expected to increase in emerging countries. In the Machinery Products segment, despite an expected decrease in demand for wind turbine system equipment, the outlook is for higher demand for plastics manufacturing and processing machinery and plastic injection molding machines due to a resurging need for capital investments in emerging countries.

As a result, the consolidated forecast for fiscal 2010 is net sales of ¥208,000 million, operating income of ¥25,500 million, ordinary income of ¥25,000 million and net income of ¥14,000 million. We expect to pay an annual dividend in fiscal 2010 of ¥12 per share, with ¥6 per share to be paid mid-term, and ¥6 per share to be paid at the term-end, the same as in fiscal 2009.

JSW will do its utmost to further develop and improve its proprietary technology and expand its foundation for growth. To that end, I ask for the continued understanding and support of all shareholders.

New Medium-Term Management Plan "JGP2012"

Beginning from May 2010, we initiated "JGP2012," our medium-term management plan that covers the three-year period starting from fiscal 2010. JSW's business vision is to become a "company that creates change" with creative technology, and contributes to the development of society. The goal is to further develop *monozukuri* (good manufacturing practices)—the source of corporate value—and to become the number one global *monozukuri* company. (Please see pages 6 and 7, Medium-Term Management Plan (JGP2012), for more details)

Business Projections for Fiscal Year Ending March 31, 2011

(¥ billion)

	FY2008	FY2009 (A)	FY2010 forecast (B)	Year-on-year change (B) – (A)
Net sales	227.1	201.6	208.0	6.4
Operating income	36.6	32.1	25.5	(6.6)
(Operating margin)	16.1%	16.0%	12.3%	
Ordinary income	35.9	31.2	25.0	(6.2)
Net income	16.0	17.5	14.0	(3.5)
Net income per share (yen)	43.19	47.22	37.72	(9.5)
Dividend per share (yen)	12.0	12.0	12.0	0.0

Forecast for FY2010

- Sales of steel products, plastics manufacturing and processing machinery, and molding machines are projected to exceed the previous year, while sales of wind turbine systems and other machinery are expected to decrease. As a result, net sales are projected to increase by 6.4 billion yen over the previous year.
- Operating income is projected to decrease by 6.6 billion yen from the previous year. This is mainly due to the increase in depreciation expenses in the Steel Products Segment and higher raw material prices.

June 2010

Ikuo Sato

Representative Director & President

Topics

New 14,000-ton hydraulic press installed at Muroran Plant

Against a background of growing demand for steel products, JSW's equipment investments total ¥80.0 billion (¥50.0 billion in the first phase of the project and ¥30.0 billion in the second).

We have completed the No.2 Forging Shop, and the No.2 Heat Treatment Shop, key facilities in the first phase of our investment plan, and launched operations of a second hydraulic press that can handle up to 14,000 tons. The first phase is scheduled to complete during fiscal 2010, ending March 2011, and the second phase in the second half of fiscal 2011.

Our new 14,000-ton hydraulic press at the Muroran Plant, which has now come onstream.

Medium-Term Management Plan (JGP2012)

JSW has drawn up a medium-term management plan (JGP2012) that covers the three-year period from fiscal 2010 through fiscal 2012.

Basic Policies

JSW's business vision is to become a "company that creates change" with creative technology, and contributes to the development of society. Under this vision, to further develop *monozukuri*—the source of corporate value—and continue to provide products and services that win customer trust, JSW has instituted the following basic policies.

1) Strengthen product competitiveness and raise earnings
2) Execute strategic investments and achieve results
3) Pass technologies and skills to the next generation and develop human resources
4) Create a culture of innovation
5) Build a stronger foundation to support our business activities

Our Corporate Ideal

Since its founding in 1907, JSW has accumulated rich reserves of sophisticated technologies and skills by meeting a wide range of market needs in the steel and machinery fields. JSW has inherited innovator's DNA, which enables it to work diligently toward the further improvement of these reserves.

As a company that has made *monozukuri* its foundation, JSW has set its sights on becoming the "number one global *monozukuri* company" (see note below) to further meet the wide-ranging needs of this day and age.

Note:
Number one global *monozukuri* company: A company that creates the world's most advanced creative technologies (differentiated technologies) in the areas of materials and mechatronics, provides the world's best products that continue to meet market and customer needs, and can compete in global markets over the long-term.

Numerical Targets (Consolidated)

(1) Outline of Medium-Term Management Plan Corporate Objective:
"No. 1 Global Company in *Monozukuri*" (customer-centered manufacturing)

Vision

— Company that Creates Change —
A company that contributes to the development of society by using proprietary technologies to create change

Management Philosophy
• Always provide customers with excitement and inspiration • Seek ongoing innovation • Achieve sustained profits through cooperation with society

Management Policies
• Strengthen product competitiveness and boost profitability • Implement strategic investment and pursue results
• Transfer technologies and skills to develop new generation of human resources • Establish a corporate culture for innovation
• Strengthen the foundations for corporate activities

Priority Objectives
• Increase presence in growth markets • Continue strategic investment
• Develop markets for non-price competition through product differentiation strategies • Develop strategies for winning in price-competition markets
• Develop global human resources • Strengthen the foundations for corporate activities

No. 1 Global Company in *Monozukuri*

JSW is committed to utilizing its proprietary materials and mechatronics technologies (differentiating technologies) that stand at the forefront of the world to supply No. 1 products meeting the demands of markets and customers, thereby moving forward as a company capable of battling it out in global markets over the medium to long term.

(2) Outline of Medium-Term Management Plan:
Timeframe and Numerical Goals

Title: JGP2012 (JSW Growth Plan FY2010 – FY2012)
Duration: FY2010 – FY2012
Numerical goals:

FY2010
Net sales: 201.6 billion yen
Operating income: 32.1 billion yen

JGP2012
Net sales: 260.0 billion yen or more
Operating income: 37.0 billion yen or more

(¥ million)

		2009	2010	2011 forecast	2012 forecast	2013 forecast
Sales	Steel products	107,883	101,736	109,000	108,000	120,000
	Machinery products	117,462	98,164	97,200	120,000	138,000
	Regional development	1,767	1,779	1,800	2,000	2,000
	Total	227,113	201,680	208,000	230,000	260,000
Operating income	Steel products	31,473	31,640	28,000	24,000	30,500
	Machinery products	11,435	6,535	4,300	8,500	13,500
	Regional development	743	733	700	700	700
	Expenses that could not be disposed or allocated	(7,019)	(6,723)	(7,500)	(7,200)	(7,700)
	Total	36,633	32,185	25,500	26,000	37,000
Ordinary income		35,949	31,246	25,000	25,500	36,500
Net income		16,034	17,528	14,000	14,500	21,000

Priority Issues by Segment

• Steel Products

1) Thermal and nuclear power products
As the world's leading and most trusted business with the number one market share, we will expand our business scale by executing our capital investment plan as scheduled (now in progress), and swiftly unleash our competitive power.

2) Pressure vessels for oil refineries
Being the world's number one business supplying inevitable components for oil refineries, we will further strengthen our advantages in technology, quality and delivery as a manufacturer that handles every phase of the total production process, from materials to welding and final assembly.

3) Clad steel plates and pipes
As a global business that supplies a diverse range of products that address natural gas and desalination demand, we will stabilize and expand business through unrivaled production capacity and more high value-added products.

• Machinery Products

1) Plastics manufacturing and processing machinery
As a comprehensive plastics machinery business with a lineup of market leading products, we will develop differentiated products and technologies and further expand globally.

2) Molding machinery
As a comprehensive molding machinery business focused on medium- and large-scale machinery, we will address demand in emerging countries and pursue synergies with Meiki Co., Ltd.

3) Wind turbine system equipment
As a business with the number one market share in Japan for high-performance products and improved maintenance systems, we will flexibly accommodate changing market demands while winning greater customer trust with improved maintenance systems.

• Regional Development

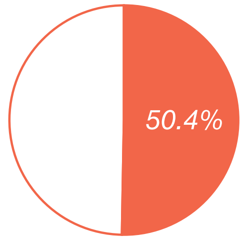
As a business that ensures stable earnings, we will continue to maintain the value of Company-owned land.

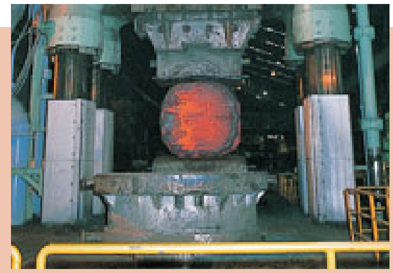
Our Business Domains

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 turbine system 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

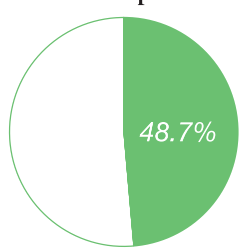
Sales Composition

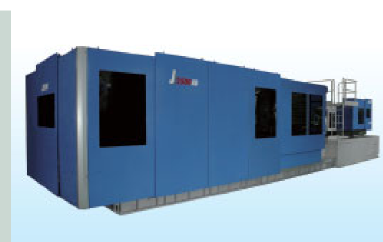




Machinery Products

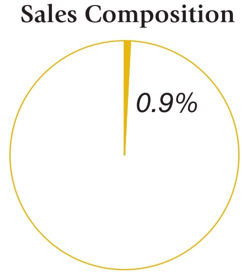
Sales Composition





Regional Development

Sales Composition



Steel Castings and Forgings

Making steel in electric furnaces, we produce a broad range of cast products and steel ingots for forged products. In ingots for forgings, we have one of the world's largest production capacities, of 650 tons. Our range of presses and hammers of various types and sizes, including two 14,000-ton hydraulic presses, ensures that we can deliver forgings in any needed shape. After undergoing heat treatment, machining and finishing, the forged products are used in the electric power generation industry (fossil fuel, hydroelectric and nuclear), and the steel-making, oil refinery and industrial machinery sectors. In addition to being a leading global supplier of extra large forged products, our plant produce a wide range of high-quality small- and medium-sized steel cast and forged products.

Main Business Lines

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

With one of Japan's largest 4-thick plate reversing rolling mills, we can roll high-quality, extremely thick, wide, and long steel plates (maximum thickness: 350 millimeters, maximum width: 4.8 meters, maximum length: 20 meters). Using advanced manufacturing technology we now mainly produce high-quality clad steel plates and clad steel pipes using clad steel plates. In addition, by integrating various forged steel products and leveraging our state-of-the-art welding technologies and facilities, we produce a range of pressure vessels for very large welded structures such as oil refineries and petrochemical plants, in an integrated process from raw materials to finished products. All of our products are used in a wide range of industrial applications in Japan and overseas, giving this business a unique profile.

Main Business Lines

Production and sale of products for oil refining, petrochemical, general chemical, and power generation industries, as well as a wide range of pressure vessels, clad steel plates, and clad steel pipes

Plastics Machinery

Having established a microcellular foam processing technology for greater weight reduction and heat retention, we 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 involved in everything from pelletizers to processing machinery.

In injection molding machines, we are meeting current market demand for greater molding precision, productivity and environment-friendliness by upgrading basic performance of existing injection molding systems and developing energy-saving, electrically-driven injection molding machines.

To respond to diversifying needs in these product markets, we have established a Technology Development Center and engage in wide-ranging consultation with product users, enabling us to put in place an integrated development system to cope with changing demand, from manufacturing to processing machinery.

Main Business Lines

Production and sale of plastic injection molding machines, plastics production and processing machinery (including pelletizers, compound extruders, films and sheet manufacturing equipment, and others) and blow-molding machines

Other Machinery

Supported by a proprietary technologies and facilities, JSW produces industrial machinery for a wide range of demand, including defense equipment, power plant equipment, magnesium alloy injection molding machines, aluminum die-casting machines, laser annealing systems, rolling stock parts, wind turbine system equipment, and environmental facilities.

Main Business Lines

Production, sale, and maintenance of fluid machinery, hydraulic machines, machinery for the production of electronic components and displays (laser annealing systems, rubbing machines, etc.), metal-working machinery (presses, manipulators, etc.), magnesium alloy injection molding machines, aluminum die-casting machine, wind turbine system equipment, JSW-type automatic tightlock couplers / W-type vehicle shock absorbers, and defense 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.

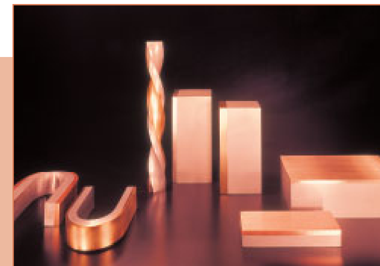
Main Business Lines

Rental of property, and development/subdivision for sale

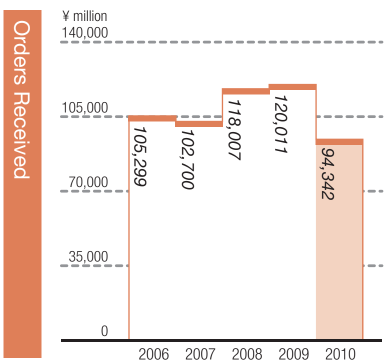
Steel Products

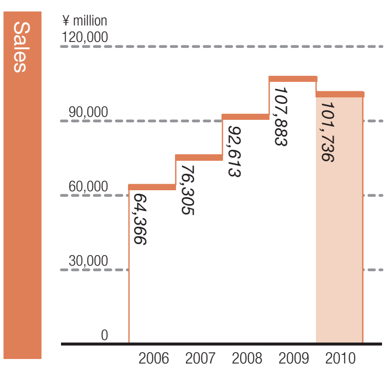
Steel Castings and Forgings Sector/Steel Plates and Structures Sector

Shell Flange Used for Pressure Chamber for Nuclear Power Plant



Clad Steel Plate





Performance in fiscal 2009

Orders decreased ¥25,668 million, or 21%, to ¥94,342 million (US$1,013 million). Despite large projects for clad pipes for natural gas pipelines and increased orders for components used in nuclear power plants, total orders declined on the back of intensifying price competition for pressure vessels for oil refineries and clad steel plates due to the yen's appreciation, and the effects of fewer projects and project postponements.

Sales were down ¥6,147 million, or 6%, to ¥101,736 million (US$1,093 million). This was attributable to a sharp decline in orders from projects for clad steel plates, despite growing sales of components for thermal and nuclear power plants and brisk sales of pressure vessels for oil refineries.

Operating income edged up ¥167 million, or 1%, to ¥31,640 million (US$340 million). Despite lower earnings from decreased sales, the increase was mainly due to higher production efficiency that supported a strong order backlog from the previous term forward.

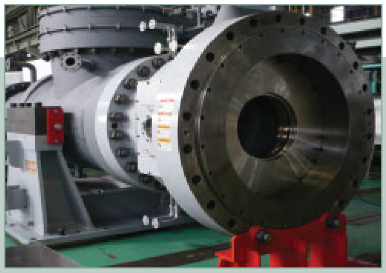
Forecast for fiscal 2010

We expect sales to reach ¥109.0 billion in fiscal 2010, given the order backlogs for thermal and nuclear power plant products and pressure vessels for oil refineries, and the recovery in demand for clad steel plates and pipes.

Operating income is projected to decrease by ¥3.6 billion from the previous year to total ¥28.0 billion. Economic benefits of greater operating efficiency from higher levels of production are likely to be outweighed by the increase in depreciation expenses related to large-scale capital investments.

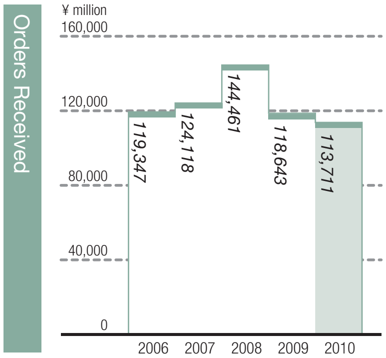
Machinery Products

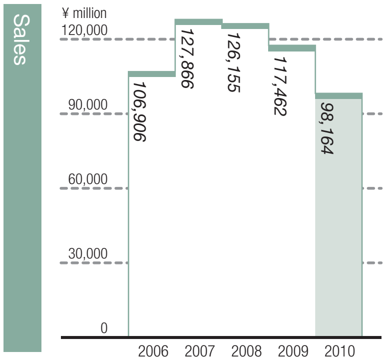
Plastics Machinery Sector/Other Machinery Sector



Polyolefin Extruder/Pelletizer

Die-casting Machine





Performance in fiscal 2009

Orders slipped ¥4,931 million, or 4%, to ¥113,711 million (US$1,222 million). A contributing factor was a drop in orders for plastic injection molding machines, especially for automotive and consumer electronics industries, despite large project orders for wind turbine system equipment and solid demand for plastics manufacturing processing machinery.

Sales fell ¥19,297 million, or 16%, to ¥98,164 million (US$1,055 million). Despite a sizable increase from project orders for wind turbine system equipment made in the previous fiscal year, the decrease was mainly due to plastics manufacturing and processing machinery and plastic injection molding machines being affected by waning capital investments. Operating income tumbled ¥4,900 million, or 43%, to ¥6,535 million (US$70 million).

Forecast for fiscal 2010

Sales of machinery products are expected to total ¥97.2 billion, down ¥0.9 billion year-on-year, due to a falloff in shipments of wind turbine system equipment pending launch of new products. This is likely to outweigh the sales increase from recovering demand for plastics manufacturing and processing machinery and molding machines.

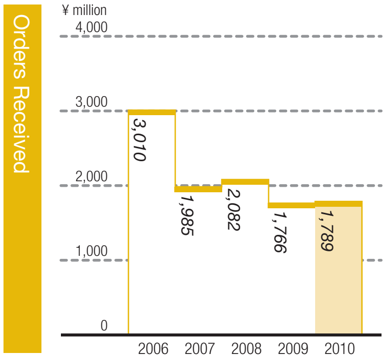
We forecast operating income of ¥4.3 billion, a ¥2.2 billion decline year-on-year due to increased competition in our mainstay products in the wake of the financial crisis triggered by the Lehman Brothers collapse.

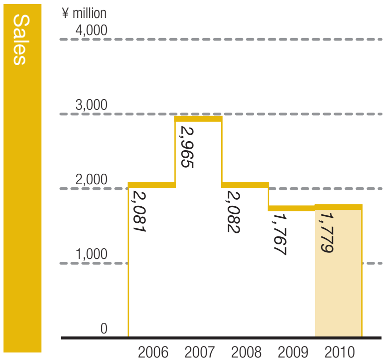
Regional Development

Regional Development

Business Office Development
(Fuchu Intelligent Park)

JSW Apartment Building Development
(Fuchu, Tokyo)





Performance in fiscal 2009

Orders totaled ¥1,789 million (US$19 million), sales came to ¥1,779 million (US$19 million) and operating income amounted to ¥733 million (US$7 million).

Capital Expenditures

Capital expenditures for the reporting period totaled ¥31,864 million (US$342 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities.

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

In the steel products business, capital expenditures totaled ¥30,251 million (US$325 million). This expenditure consisted largely of investments to construct new buildings and equipment for the forging and heat treatment facilities at Muroran Plant, to install new equipment and upgrade existing equipment at the same Plant, as well as upgrade equipment at steel-making plants.

In the machinery products business, capital expenditures came to ¥1,178 million (US$12 million) as a result of investments to raise machine processing efficiency at our Hiroshima Plant.

In the regional development business, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥42 million (US$0.4 million).

Capital expenditures unallocable to individual segments came to ¥391 million (US$4 million).

Research and Development


Muroran Research Laboratory


Hiroshima Research Laboratory

Research and development activities were almost entirely funded by the Company (The Japan Steel Works, Ltd.). Combined spending on research and development for the Steel Products business and the Machinery Products business amounted to ¥4,141 million (US$44 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 in new business fields based on our core and differentiated technologies.

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 Hiroshima 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 develop our business by focusing on increasing and upgrading our core technologies while pursuing increased collaboration between the Research & Development Headquarters and our business divisions.
2. Promoting not only basic research aimed at future technologies and the needs of 21st century society but also research on component technologies used in existing products, we will develop these into research and development projects that will translate into new products and businesses in the future as well as into innovations and new possibilities for existing products.
3. In product development for Steel Products, we are focusing on energy fields and on further expanding the number of our many number one products while at the same time commercializing products in new fields. In Machinery Products, we are aggressively promoting the expansion and upgrade of industrial machinery including plastics machinery and IT equipment. We will prioritize investments in business resources by defining a framework for commercialization with an eye toward mergers and acquisitions and the forging of alliances.

Overview of R&D activities by business segment

▷▷▷ Steel Products

In terms of the development of materials-related products, we have been carrying out materials 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, as well as manufacturing process technology development. We have also been pursuing technological development to create more advanced materials and component technologies for existing products. For fiscal 2009, spending on steel product research and development totaled ¥1,631 million (US$17 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 developing higher performance compressors and equipment for making film, as well as 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 set out to design wind turbine blades for use at wind power generation plants, establish various reliability-related analytical technologies and develop more advanced component technologies for power generators. Spending on machinery product research and development totaled ¥2,510 million (US$26 million) for fiscal 2009.

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. 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 president, executive vice presidents, senior managing directors, and any other person as shall be designated by the president. This committee, augmented when deemed necessary by the heads of operating divisions, plant general managers and managers at corporate headquarters 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. In also ensures 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 risk management and 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 Group subsidiaries, and exercise strict oversight with regard to the execution of their duties by the Company's directors, such as by receiving important reports when needed from the aforementioned divisions and exchanging views with directors and key employees. Based on this, they express their views to management from an objective and neutral point of view.

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 resolved at the meetings of the Board of Directors as well as detailed measures decided each year for dealing with specific internal control issues. In addition, we will respond to social changes and work to achieve a more appropriate and efficient system by properly reviewing internal control issues and responses. 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 noninvolvement 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 inhouse 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 inhouse 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, knowhow, 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.

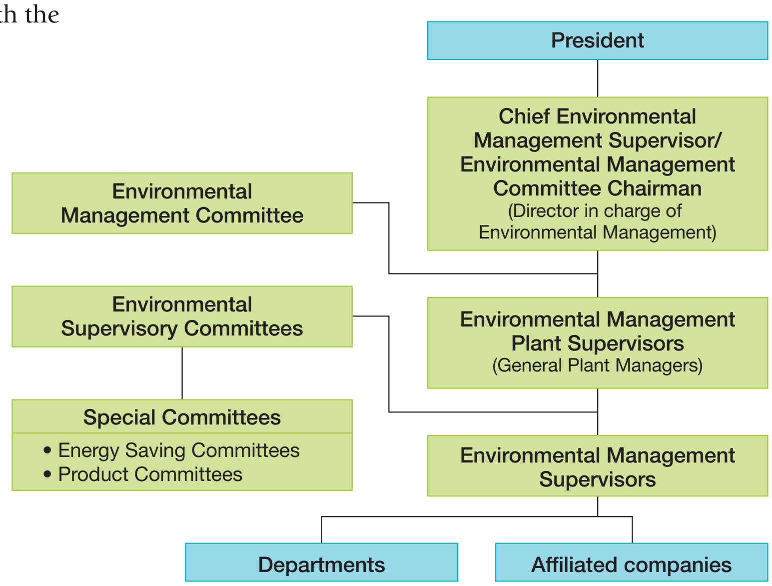
Common policy for business facilities

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.
2. Prevent pollution and reduce and appropriately treat waste.
3. Improve "resource productivity" through implementation of energy efficiency, resource efficiency, and recycling.
4. Inform employees and other companies residing within our facilities of our policies and require their cooperation.

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 including affiliates 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.

We are working to attain the targets in our medium-term plan for environmental management activities covering the four years from fiscal 2009 – 2012. In fiscal 2009, the opening year of the plan, measures were taken at each plant to meet these targets.

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 headquarter.

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. In 2009, we installed dust collectors in four locations to address environmental issues.

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 plastic bottles and cigarette butts. The trash is then separated and disposed of. We intend this to be an ongoing activity.

Board of Directors and Corporate Auditors

(as of June 25, 2010)

Board of Directors and Corporate Auditors

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 Research & Development Headquarters, Laser & Plasma System Office, Environmental Management, CTO

Managing Directors

Yoshitomo Tanaka

Director of Injection Moulding Machinery Division

Nobuyuki Toda

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

Koichi Murao

Director of Machinery Business Division

Etsuo Murai

Director of Steel Business Division

Takao Ishido

General Plant Manager of Hiroshima Plant

Directors

Tamotsu Hayakawa

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

Akira Kadota

Deputy Director of Steel Business Division, General Manager of Pressure Vessel & Equipment Sales Department

Hiroshi Hamao

Director of Ordnance Business Headquarter

Corporate Auditors

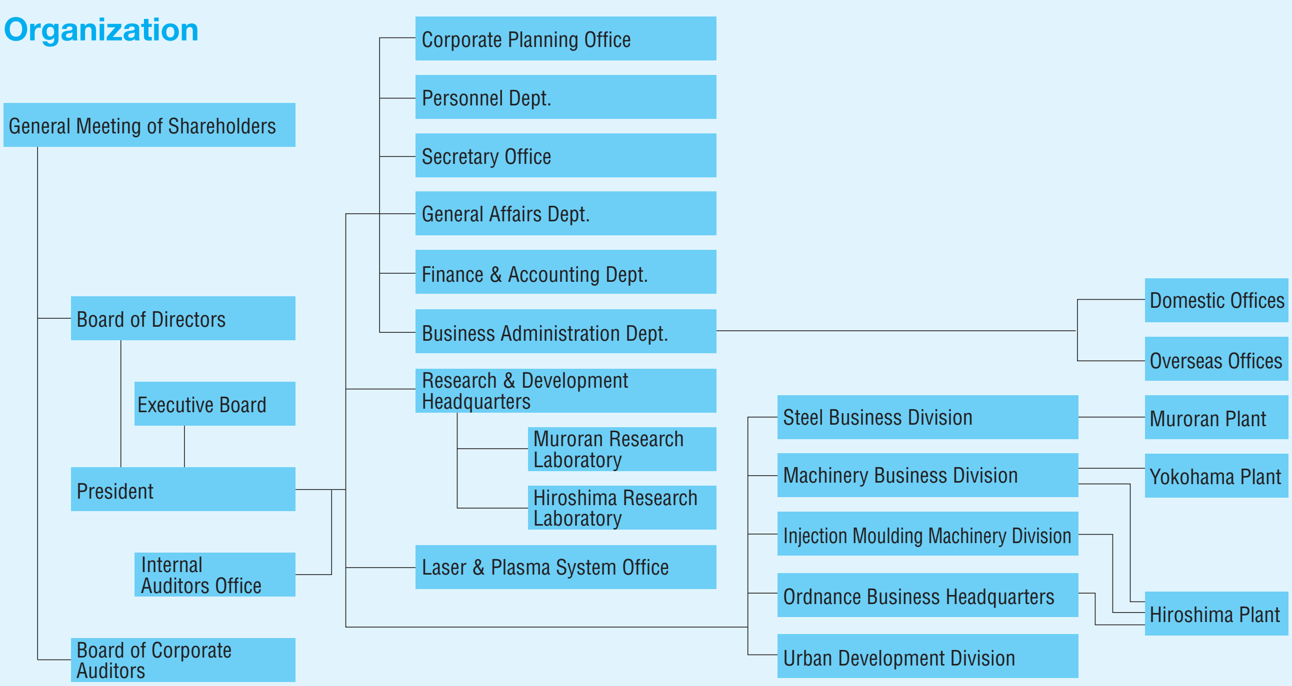
Seiichi Uehara

Kenji Uetani

Yasuhisa Naka

Hiroo Suto

Organization



Financial Section

THE JAPAN STEEL WORKS, LTD.

Six-Year Summary

Years ended March 31

Consolidated	Millions of Yen					
	2010	2009	2008	2007	2006	2005
Net sales	**¥201,680**	¥227,113	¥220,851	¥207,138	¥173,353	¥158,274
Net income	**17,528**	16,034	17,484	12,515	6,586	3,284
Total assets	**322,986**	296,909	262,453	232,444	196,656	184,683
Total net assets	**111,149**	90,125	85,231	75,621	66,039	58,075
Amounts per share (yen):						
Net income	**¥47.22**	¥43.19	¥47.10	¥33.71	¥17.57	¥8.70

Non-Consolidated	Millions of Yen					
	2010	2009	2008	2007	2006	2005
Net sales	**¥175,333**	¥196,030	¥189,318	¥177,493	¥145,555	¥129,948
Net income	**16,665**	15,449	15,878	12,233	6,026	2,429
Total assets	**298,783**	277,301	243,433	215,693	180,734	168,808
Total net assets	**101,615**	82,449	77,958	69,907	60,602	52,899
Amounts per share (yen):						
Net income	**¥44.90**	¥41.62	¥42.77	¥32.95	¥16.07	¥6.39
Cash dividends applicable to the year	**¥12.00**	¥12.00	¥12.00	¥9.00	¥5.00	¥3.00

Contents

Financial Performance (Consolidated)

Operating Results

Net Sales

Sales in the Machinery Products Business were sharply down in the reporting period. Net sales were down ¥25,433 million, or 11%, year on year, to ¥201,680 million (US$2,167 million).

Operating Income

Operating income declined ¥4,448 million, or 12%, to ¥32,185 million (US$345 million). This was mainly attributable to aggressive cost-cutting including improved variable costs and further reductions in fixed costs as well as efforts to lower the break-even point. Other factors included efforts to raise production volume and efficiency through large-scale capital investments, strengthening our financial position through more efficient balance between inventory turnover and notes and accounts receivable. Nevertheless, operating income declined in line with lower net sales.

Net Income

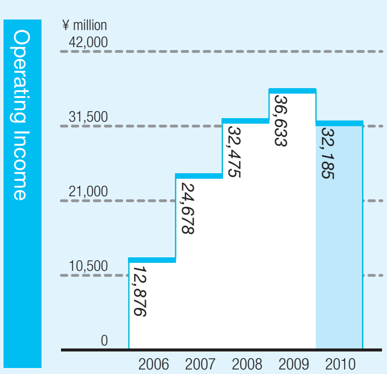
Net income increased ¥1,494 million, or 9%, to ¥17,528 million (US$188 million). The increase was mainly due to a shrinking loss on disposal of tangible and intangible assets associated with capital investments posted in the previous fiscal year and a loss on write-downs of investment securities.

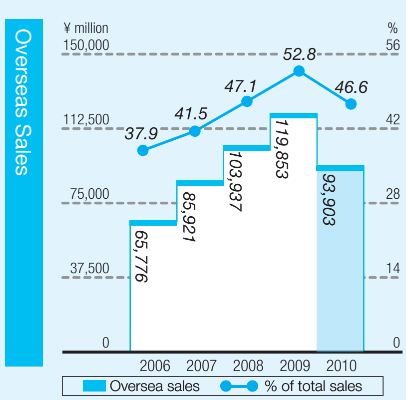
Overseas Sales

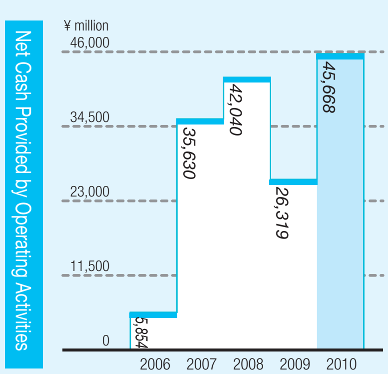
Sales in East Asian markets increased 1.5% from the previous year, to ¥45,013 million (US$483 million). Sales in North America jumped 62.7% to ¥20,256 million (US$217 million), while sales in other regions declined 54.6% to ¥28,633 million (US$307 million). Total overseas sales decreased 21.7% to ¥93,903 million (US$1,009 million), accounting for 46.6% of the Company's net sales on a consolidated basis.

Cash Flows

Cash and cash equivalents stood at ¥45,603 million (US$490 million) at the reporting term-end, up ¥5,698 million year on year after adjusting noncash items. This was attributable to the posting of income before income taxes and minority interests in the amount of ¥29,603 million, compared with ¥27,630 million for the previous term, in addition to proceeds from short-term bank loans. These positive factors more than offset capital investments for the enhancement of production efficiency and expenditures for the purchases of investment securities.







Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥45,668 million (US$490 million), compared with ¥26,319 million in the previous term. This was mainly due to the posting of ¥29,603 million in income before income taxes and minority interests, as well as depreciation expenses in the amount of ¥14,422 million, which was not a physical cash outflow, and a decrease in working capital due to advances received and other factors.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥37,287 million (US$400 million), up from ¥33,148 million for the previous term. This was due mainly to an investment of ¥35,892 million in tangible assets for the purpose of raising production efficiency.

Cash Flow from Financing Activities

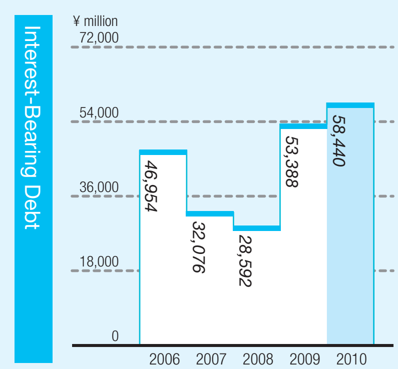
Net cash used in financing activities amounted to ¥2,687 million (US$28 million) compared with a net cash inflow of ¥10,614 million for the previous term. This net cash outflow resulted from an outflow of ¥4,454 million in dividend payments, and repayment of long-term bank loans, which more than exceeded the inflow of ¥5,467 million from short-term bank loans.

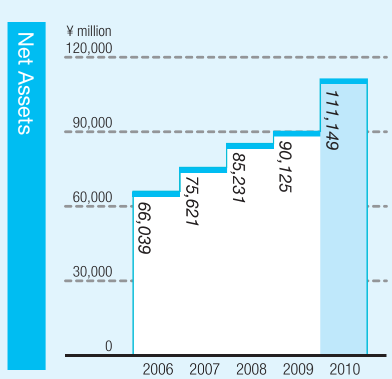
Financial Position

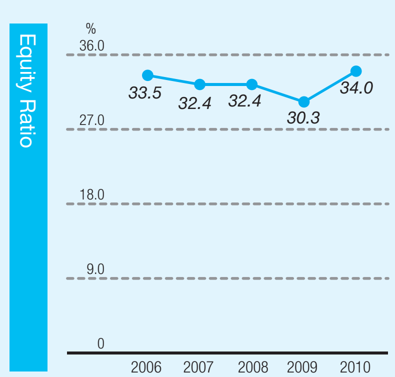
Total assets as of the end of March 2010 stood at ¥322,986 million (US$3,471 million), up ¥26,077 million, or 8.8%, from the previous term-end. This was due to an increase in property, plant and equipment from the acquisition of such tangible fixed assets as machinery and transport equipment as a result of capital expenditures, mainly in the Steel Products Business, despite a decrease in current assets owing to a decline in notes and accounts receivable.

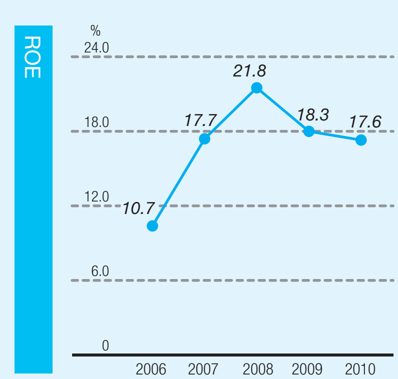
Liabilities at the reporting term-end stood at ¥211,837 million (US$2,276 million), up ¥5,054 million, or 2.4%, over the previous term-end. This was largely attributable to an increase in short-term bank loans. Interest-bearing debt stood at ¥58,440 million (US$628 million), up ¥5,052 million from the previous fiscal year.

Net assets at the reporting term-end totaled ¥111,149 million (US$1,194 million), for an increase of ¥21,023 million, or 23.3%, over the previous term-end.









THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2010**	2009	**2010**
Current assets:			
Cash on hand and in banks (Notes 8, 11 and 20)	**¥ 45,646**	¥ 39,957	**$ 490,606**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**708**	903	**7,610**
Trade (Notes 8 and 20)	**41,734**	48,622	**448,560**
Other	**1,228**	143	**13,199**
Less allowance for doubtful accounts	**(281)**	(278)	**(3,020)**
Inventories (Note 4)	**69,627**	72,586	**748,356**
Deferred tax assets (Note 12)	**4,206**	3,499	**45,206**
Other current assets	**8,648**	8,823	**92,949**
Total current assets	**171,518**	174,258	**1,843,487**
Property, plant and equipment, at cost (Notes 5, 6 and 8)**:**			
Land	**11,448**	9,642	**123,044**
Buildings and structures	**84,634**	71,428	**909,652**
Machinery and equipment	**119,904**	95,302	**1,288,736**
Leased assets	**8,551**	8,075	**91,907**
Construction in progress	**11,564**	15,546	**124,291**
	236,102	199,996	**2,537,640**
Less accumulated depreciation	**(124,936)**	(108,669)	**(1,342,820)**
Property, plant and equipment, net	**111,166**	91,327	**1,194,819**
Intangible assets	**1,236**	1,318	**13,285**
Investments, long-term loans and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**737**	691	**7,921**
Investment securities (Notes 15 and 20)	**31,710**	21,450	**340,821**
Other long-term loans receivable	**61**	61	**656**
Deferred tax assets (Note 12)	**1,934**	2,017	**20,787**
Other assets	**5,036**	6,011	**54,127**
Less allowance for doubtful accounts	**(415)**	(226)	**(4,460)**
Total investments, long-term loans and other assets	**39,064**	30,004	**419,862**
Total assets	**¥322,986**	¥296,909	**$3,471,475**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 3) 2010
Current liabilities:			
Short-term borrowings (Notes 8 and 20)	**¥ 13,722**	¥ 6,198	**$ 147,485**
Current portion of long-term debt (Notes 8 and 20)	**12,694**	4,447	**136,436**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**34**	95	**365**
Trade (Note 20)	**36,197**	42,457	**389,048**
Other	**7,556**	10,033	**81,212**
Advances received for products	**42,131**	44,068	**452,827**
Accrued income taxes (Note 12)	**6,436**	4,038	**69,175**
Other current liabilities (Note 8)	**23,965**	23,526	**257,577**
Total current liabilities	**142,738**	134,866	**1,534,157**
Long-term liabilities:			
Long-term debt (Notes 8 and 20)	**32,025**	42,742	**344,207**
Accrued retirement benefits (Note 14):			
For employees	**8,520**	6,303	**91,574**
For directors and corporate auditors	**161**	185	**1,730**
Deferred tax liabilities (Note 12)	**2,661**	5	**28,601**
Other long-term liabilities (Note 8)	**25,730**	22,680	**276,548**
Total long-term liabilities	**69,098**	71,917	**742,670**
Net assets:			
Shareholders' equity (Note 17):			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued — 371,463,036 shares	**19,694**	19,694	**211,672**
Capital surplus	**5,425**	5,424	**58,308**
Retained earnings	**82,701**	69,627	**888,876**
Treasury stock, at cost (261,340 shares in 2010 and 234,126 shares in 2009)	**(213)**	(182)	**(2,289)**
Total shareholders' equity	**107,607**	94,563	**1,156,567**
Valuation, translation adjustments and other:			
Net unrealized gain (loss) on investment securities	**2,949**	(3,868)	**31,696**
Net deferred loss on hedges	**(213)**	(379)	**(2,289)**
Translation adjustments	**(425)**	(435)	**(4,568)**
Total valuation, translation adjustments and other	**2,310**	(4,683)	**24,828**
Minority interests	**1,231**	246	**13,231**
Total net assets	**111,149**	90,125	**1,194,637**
Total liabilities and net assets	**¥322,986**	¥296,909	**$3,471,475**

Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Net sales	**¥201,680**	¥227,113	**$2,167,670**
Cost of sales (Note 13)	**143,708**	161,560	**1,544,583**
Gross profit	**57,971**	65,552	**623,076**
Selling, general and administrative expenses (Note 13)	**25,786**	28,919	**277,150**
Operating income	**32,185**	36,633	**345,926**
Other income (expenses):			
Interest and dividend income	**445**	695	**4,783**
Interest expense	**(694)**	(440)	**(7,459)**
Other, net (Note 9)	**(2,333)**	(9,259)	**(25,075)**
	(2,582)	(9,003)	**(27,752)**
Income before income taxes and minority interests	**29,603**	27,630	**318,175**
Income taxes (Note 12):			
Current	**12,142**	11,612	**130,503**
Deferred	**(89)**	(39)	**(957)**
Minority interests in net income of consolidated subsidiaries	**22**	23	**236**
Net income (Note 19)	**¥ 17,528**	¥ 16,034	**$ 188,392**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Common stock:			
Balance at beginning of year	**¥ 19,694**	¥19,694	**$ 211,672**
Balance at end of year	**¥ 19,694**	¥19,694	**$ 211,672**
Capital surplus:			
Balance at beginning of year	**¥ 5,424**	¥ 5,422	**$ 58,298**
Disposal of treasury stock	**1**	1	**11**
Balance at end of year	**¥ 5,425**	¥ 5,424	**$ 58,308**
Retained earnings:			
Balance at beginning of year	**¥ 69,627**	¥58,492	**$ 748,356**
Change in the scope of consolidation	**—**	111	**—**
Net income	**17,528**	16,034	**188,392**
Cash dividends paid	**(4,454)**	(5,011)	**(47,872)**
Balance at end of year	**¥ 82,701**	¥69,627	**$ 888,876**
Treasury stock, at cost:			
Balance at beginning of year	**¥ (182)**	¥ (137)	**$ (1,956)**
Purchases of treasury stock	**(32)**	(47)	**(344)**
Disposal of treasury stock	**1**	2	**11**
Balance at end of year	**¥ (213)**	¥ (182)	**$ (2,289)**
Total shareholders' equity:			
Balance at beginning of year	**¥ 94,563**	¥83,472	**$1,016,369**
Net income	**17,528**	16,034	**188,392**
Cash dividends paid	**(4,454)**	(5,011)	**(47,872)**
Purchases of treasury stock	**(32)**	(47)	**(344)**
Change in the scope of consolidation	**—**	111	**—**
Disposal of treasury stock	**3**	4	**32**
Balance at end of year	**¥107,607**	¥94,563	**$1,156,567**
Net unrealized gain (loss) on investment securities:			
Balance at beginning of year	**¥ (3,868)**	¥ 1,930	**$ (41,574)**
Net changes in items other than those in shareholders' equity	**6,818**	(5,798)	**73,280**
Balance at end of year	**¥ 2,949**	¥ (3,868)	**$ 31,696**

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Deferred loss on hedges:			
Balance at beginning of year	**¥ (379)**	¥ (254)	**$ (4,074)**
Net changes in items other than those in shareholders' equity	**165**	(124)	**1,773**
Balance at end of year	**¥ (213)**	¥ (379)	**$ (2,289)**
Translation adjustments:			
Balance at beginning of year	**¥ (435)**	¥ (160)	**$ (4,675)**
Net changes in items other than those in shareholders' equity	**9**	(275)	**97**
Balance at end of year	**¥ (425)**	¥ (435)	**$ (4,568)**
Total valuation, translation adjustments and other:			
Balance at beginning of year	**¥ (4,683)**	¥ 1,514	**$ (50,333)**
Net changes in items other than those in shareholders' equity	**6,994**	(6,198)	**75,172**
Balance at end of year	**¥ 2,310**	¥ (4,683)	**$ 24,828**
Minority interests:			
Balance at beginning of year	**¥ 246**	¥ 244	**$ 2,644**
Net changes in items other than those in shareholders' equity	**984**	2	**10,576**
Balance at end of year	**¥ 1,231**	¥ 246	**$ 13,231**
Total net assets:			
Balance at beginning of year	**¥ 90,125**	¥85,231	**$ 968,669**
Net income	**17,528**	16,034	**188,392**
Cash dividends paid	**(4,454)**	(5,011)	**(47,872)**
Purchases of treasury stock	**(32)**	(47)	**(344)**
Change in the scope of consolidation	**—**	111	**—**
Disposal of treasury stock	**3**	4	**32**
Net changes in items other than those in shareholders' equity	**7,979**	(6,196)	**85,759**
Balance at end of year	**¥111,149**	¥90,125	**$1,194,637**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Operating activities:			
Income before income taxes and minority interests	**¥29,603**	¥27,630	**$318,175**
Depreciation and amortization	**14,512**	11,963	**155,976**
Loss on impairment of goodwill	**—**	2	**—**
Interest and dividend income	**(445)**	(695)	**(4,783)**
Interest expense	**693**	440	**7,448**
Equity in (earnings) losses of affiliates	**(1)**	—	**(11)**
Loss on abandonment of investments	**680**	—	**7,309**
Loss on write-downs of investment securities	**105**	6,067	**1,129**
Amortization of net retirement benefit obligation at transition	**765**	765	**8,222**
Loss on disposal of tangible and intangible assets	**847**	2,109	**9,104**
Gain and loss on sales of property, plant and equipment	**(11)**	(11)	**(118)**
Changes in operating assets and liabilities:			
Trade assets (Note 20)	**8,672**	7,734	**93,207**
Trade liabilities	**(7,708)**	(7,058)	**(82,846)**
Inventories (Note 4)	**4,957**	(5,771)	**53,278**
Other	**3,012**	533	**32,373**
Subtotal	**55,683**	43,707	**598,485**
Interest and dividends received	**447**	696	**4,804**
Interest paid	**(698)**	(434)	**(7,502)**
Income taxes paid	**(9,763)**	(17,650)	**(104,933)**
Net cash provided by operating activities	**45,668**	26,319	**490,843**
Investing activities:			
Increase in tangible and intangible assets	**(35,892)**	(22,200)	**(385,770)**
Decrease in tangible and intangible assets	**20**	133	**215**
Purchases of investment securities	**(1,673)**	(10,411)	**(17,982)**
Proceeds from sales of investment securities	**19**	4	**204**
Reimbursement of long-term deposits on contracts	**(436)**	(426)	**(4,686)**
(Increase) decrease in short-term loans receivable	**(1)**	300	**(11)**
Collection of long-term loans receivable	**—**	152	**—**
Purchase of investment of unconsolidated subsidiaries	**(35)**	(50)	**(376)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**754**	—	**8,104**
Purchases of common stock of affiliates	**(3)**	(363)	**(32)**
Other	**(38)**	(287)	**(408)**
Net cash used in investing activities	**(37,287)**	(33,148)	**(400,763)**
Financing activities (Notes 8 and 20)**:**			
Increase in short-term borrowings	**5,467**	—	**58,760**
Decrease in short-term borrowings	**—**	(20)	**—**
Increase in long-term dept	**900**	20,000	**9,673**
Decrease in long-term dept	**(2,322)**	(2,105)	**(24,957)**
Redemption of bonds and debentures	**—**	(30)	**—**
Cash dividend paid	**(4,454)**	(5,011)	**(47,872)**
Acquisition of treasury stock	**(32)**	(47)	**(344)**
Proceeds from sales of treasury stock	**3**	4	**32**
Repayments of finance lease obligations	**(2,241)**	(2,172)	**(24,086)**
Other	**(6)**	(2)	**(64)**
Net cash provided by (used in) financing activities	**(2,687)**	10,614	**(28,880)**
Effect of exchange rate changes on cash and cash equivalents	**5**	(114)	**54**
Increase in cash and cash equivalents	**5,698**	3,672	**61,242**
Cash and cash equivalents at beginning of the year	**39,904**	36,133	**428,891**
Increase due to inclusion in consolidation	**—**	99	**—**
Cash and cash equivalents at end of the year (Notes 11 and 20)	**¥45,603**	¥39,904	**$490,144**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fiscal year 2009 (Year ended March 31, 2010)

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 foreign 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.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, 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 of Japan, 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

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

As of March 31, 2010, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 37 and 1 (36 and 1 in 2009), respectively. Effective March 31, 2010, Meiki Co., Ltd has been in the scope of consolidation, because the Company's ownership increased to 50.96%.

Certain foreign 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 straight-line method over the next five years after acquisition and are included in selling, general and administrative expenses.

(b) Foreign currency translation

The balance sheet accounts of the foreign 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. Differences arising from the translation are presented as translation adjustments and minority interests in its consolidated financial statements.

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 differences arising from the translation are included in the consolidated statements of income.

(c) Cash equivalents

Short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value 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 and income before income taxes and minority interests decreased by ¥1,038 million 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 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 by 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.

(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.

(j) Bond issuance expenses

Bond issuance expenses are charged to income as incurred.

(k) Leases

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted the “Accounting Standard for Lease Transactions” (Corporate Accounting Standards No. 13 (June 17, 1993 (First Committee of the Business Accounting Council), revised on March 30, 2007)) and the “Implementation Guidance of Accounting Standards for Lease Transactions” (Implementation Guidance of Corporate Accounting Standards, No. 16 (January 18, 1994 (Accounting System Committee of the Japanese Institute of Certified Public Accountants), revised on March 30, 2007)), and finance lease transactions which do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as normal course of sales and purchase transactions.

The effects of this change on operating income, income before income taxes and minority interests were 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, 2010 and 2009 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 ten years by the straight-line method.

Prior service cost is being amortized as incurred by the straight-line method over ten 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 ten years, which is shorter than the average remaining years of service of the employees participating in the plans.

Effective the year ended March 31, 2010, the Company and its domestic subsidiaries adopted the “Partial Amendments to Accounting Standards for Retirement Benefits (Part 3)” (Corporate Accounting Standards No. 19 July 31, 2008).

The effects of this change on operating income, income before income taxes and minority interests were not material for the year ended March 31, 2010.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated balance sheets at March 31, 2010 and 2009 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 generally are recognized on sales of products at the time of shipment. For construction contracts effective the year ended March 31, 2010, the Company and its domestic subsidiaries adopted the “Accounting Standards for Construction Contracts” (Corporate Accounting Standards No. 15 December 27, 2007) and the “Implementation Guidance of Accounting Standards for Construction Contracts” (Implementation Guidance of Corporate Accounting Standards, No. 18 December 27, 2007), the construction recognized product of certainty which are recognized by the percentage-of-completion method, and except for those construction which are recognized by the completed-contract basis.

The effects of this change on operating income, income before income taxes and minority interests were not material for the year ended March 31, 2010.

(p) Derivatives financial instruments

Derivatives financial instruments are carried at fair value. Gain or loss on derivatives designated as hedging instruments is deferred as a component of net assets 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) Consumption tax

Accounting treatment of consumption tax is tax excluded method.

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 ¥93.04 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2010. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

4. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Real estate for sale	**¥ 33**	¥ 43	**$ 355**
Finished products	**1,370**	1,577	**14,725**
Work in process	**62,187**	65,137	**668,390**
Raw materials and supplies	**6,036**	5,829	**64,875**
Total	**¥69,627**	¥72,586	**$748,356**

The work in process which have likelihood of loss by the construction contracts was offset with Provision for losses on order received of ¥353 million ($3,794 thousand) at March 31, 2010.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Depreciation expense	**¥14,422**	¥11,460	**$155,009**

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 accumulated depreciation at March 31,2010 and 2009 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Accumulated advanced depreciation expense	**¥951**	¥308	**$10,221**

7. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2009 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
As endorsers of trade notes receivable:			
Endorsed to other	**¥ 72**	¥ 81	**$ 774**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	**591**	616	**6,352**
Gotsu Wind Power Co., Ltd.	**1,881**	—	**20,217**
Meiko Co., Ltd.	**4**	—	**43**
Contingent liabilities for uncollected receivables in leasing company	**64**	—	**688**
Medical Corporation Bokoi	**1,500**	2,000	**16,122**
Employees and other	**633**	781	**6,804**
Total	**¥4,746**	¥3,480	**$51,010**

8. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.63% to 4.625% at March 31, 2010 and 0.84% to 1.895% at March 31, 2009, were unsecured.

Long-term debt at March 31, 2010 and 2009 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans from banks and insurance companies with interest at annual rates ranging from 1.0% to 2.26%	**¥28,837**	¥30,239	**$309,942**
Less those maturing within one year	**(667)**	(2,322)	**(7,169)**
Lease obligations	**5,882**	6,951	**63,220**
Less those maturing within one year	**(2,026)**	(2,125)	**(21,776)**
0.92% straight bonds, due 2010	**10,000**	10,000	**107,481**
Less those maturing within one year	**(10,000)**	—	**(107,481)**
Long-term indebtedness reflected in the consolidated balance sheets	**¥32,025**	¥42,742	**$344,207**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2010 are summarized below:

	Long-term debt		Lease obligations	
Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2011	¥10,667	$114,650	¥2,026	$21,776
2012	635	6,825	1,674	17,992
2013	13,670	146,926	1,258	13,521
2014	10,370	111,457	525	5,643
2015	2,550	27,408	247	2,655
2016 and thereafter	945	10,157	149	1,601

The assets pledged as collateral for long-term debt at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash on hand and in banks	**¥ 206**	¥ —	**$ 2,214**
Notes receivable-trade	**102**	—	**1,096**
Property, plant and equipment, at net book value	**4,533**	9,723	**48,721**

9. Other Income (Expenses) — Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loss on sales or disposal of property, plant and equipment	**¥ (847)**	¥(2,112)	**$ (9,104)**
Gain on sales of property, plant and equipment	**12**	14	**129**
Gain on sales of raw materials and supplies	**214**	225	**2,300**
Amortization of net retirement benefit obligation at transition	**(693)**	(693)	**(7,448)**
Provision for warranties for completed construction	**(338)**	(93)	**(3,633)**
Loss on write-downs of investment securities	**(105)**	(6,067)	**(1,129)**
Impairment loss	**—**	(2)	**—**
Loss on abandonment of investments	**(680)**	—	**(7,309)**
Other, net	**105**	(529)	**1,129**
Total	**¥(2,333)**	¥(9,259)	**$(25,075)**

10. Leases

Year ended March 31, 2010

Future minimum lease payments subsequent to March 31, 2010 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2011	**¥1,027**	**$11,038**
2012 and thereafter	**2,138**	**22,979**
Total	**¥3,166**	**$34,028**

Year ended March 31, 2009

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

Year ending March 31,	Millions of Yen
2010	¥ 765
2011 and thereafter	1,485
Total	¥2,251

11. Cash Flow Information

(a) Cash and cash equivalents

The reconciliation between 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, 2010 and 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash on hand and in banks in the consolidated balance sheets	**¥45,646**	¥39,957	**$490,606**
Investment with a maturity of three months or less from the date of acquisition	**50**	137	**537**
Time deposits with maturities of more than three months	**(93)**	(190)	**(1,000)**
Cash and cash equivalents in the consolidated statements of cash flow	**¥45,603**	¥39,904	**$490,144**

(b) Significant transactions without cash flow

Regarding finance lease transactions, assets and liabilities that have been capitalized by the Company and its domestic consolidated subsidiaries amounted to ¥1,088 million ($11,694 thousand) and ¥1,145 million ($12,307 thousand) for the year ended March 31, 2010 and ¥6,933 million and ¥6,951 million for the year ended March 31, 2009.

(c) Summary of assets acquired and liabilities assumed through the acquisition of shares of Meiki Co., Ltd. For the year ended March 31, 2010, relating acquisition costs and net disbursement

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥4,364**	**$46,905**
Noncurrent assets	**2,175**	**23,377**
Current liabilities	**(3,223)**	**(34,641)**
Noncurrent liabilities	**(1,340)**	**(14,402)**
Negative Goodwill	**(358)**	**(3,848)**
Minority interests	**(968)**	**(10,404)**
Company's interest at the date of acquisition	**(122)**	**(1,311)**
Acquisition costs of Meiki Co., Ltd.	**527**	**5,664**
Cash and cash equivalents (Meiki Co., Ltd.)	**(1,281)**	**(13,768)**
Net proceeds from acquisition of Meiki Co., Ltd.	**¥ 754**	**$ 8,104**

12. Income Taxes

The Company has omitted reconciliation between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2010 and 2009 because the difference between these rates was less than 5%.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 506**	¥ 326	**$ 5,439**
Accrued bonuses	**1,402**	1,430	**15,069**
Unrealized gain on intercompany transactions	**677**	639	**7,276**
Accrued retirement benefits for employees	**4,032**	3,934	**43,336**
Accrued retirement benefits for directors and corporate auditors	**128**	179	**1,376**
Loss on revaluation of inventory items	**501**	423	**5,385**
Loss on revaluation of financial instruments	**289**	1,004	**3,106**
Depreciation	**1,144**	1,213	**12,296**
Amortization of deferred assets	**211**	—	**2,268**
Provision for warranties for completed construction	**502**	369	**5,396**
Provision for losses on orders received	**737**	149	**7,921**
PCB disposal expenses	**162**	164	**1,741**
Tax loss carry forwards	**2,306**	305	**24,785**
Deferred loss on hedges	**199**	418	**2,139**
Unrealized loss on investment securities	**505**	2,322	**5,428**
Other	**319**	469	**3,429**
Gross deferred tax assets	**13,626**	13,350	**146,453**
Valuation allowance	**(3,363)**	(3,197)	**(36,146)**
Total deferred tax assets	**10,262**	10,153	**110,297**
Deferred tax liabilities:			
Reserve for advanced depreciation	**2,411**	2,526	**25,914**
Reserve for special depreciation	**1,480**	161	**15,907**
Prepaid pension cost	**246**	945	**2,644**
Unrealized gain on investment securities	**2,514**	757	**27,021**
Deferred gain on hedges	**54**	160	**580**
Reversal of allowance for doubtful accounts	**48**	61	**516**
Other	**29**	30	**312**
Total deferred tax liabilities	**6,784**	4,643	**72,915**
Net deferred tax assets	**¥ 3,478**	¥ 5,510	**$ 37,382**

13. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Research and development expenses	**¥4,141**	¥4,178	**$44,508**

14. 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, 2010 and 2009 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Retirement benefit obligation	**¥(28,685)**	¥(27,596)	**$(308,308)**
Plan assets at fair value	**15,332**	13,081	**164,789**
Unfunded retirement benefit obligation	**(13,352)**	(14,515)	**(143,508)**
Unrecognized net retirement benefit obligation at transition	**—**	765	**—**
Unrecognized actuarial loss	**6,219**	8,961	**66,842**
Unrecognized prior service cost	**694**	819	**7,459**
Net retirement benefit obligation	**(6,438)**	(3,968)	**(69,196)**
Accrued retirement benefits	**¥ (8,520)**	¥ (6,303)	**$ (91,574)**
Prepaid pension cost	**¥ 2,082**	¥ 2,334	**$ 22,377**

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥1,653**	¥1,785	**$17,767**
Interest cost	**319**	434	**3,429**
Expected return on plan assets	**(190)**	(329)	**(2,042)**
Amortization of net retirement benefit obligation at transition	**765**	765	**8,222**
Amortization of actuarial loss	**1,479**	974	**15,896**
Amortization of prior service cost	**140**	155	**1,505**
Retirement benefit expenses	**¥4,166**	¥3,784	**$44,776**

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

	2010	2009
Discount rate	**1.50%**	2.00%
Expected rate of return on plan assets	**1.50%**	2.00%

15. Securities

Securities are judged to be "substantially declined" when their fair values have declined 30% or more. When their fair values have declined 50% or more, the impairment losses are recorded on those securities. When their fair 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, 2010

(a) Held-to-maturity securities:

	Millions of Yen		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value does not exceed carrying amount:			
Other	¥50	¥50	¥—
Total	¥50	¥50	¥—

	Thousands of U.S. Dollars		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value does not exceed carrying amount:			
Other	$537	$537	$—
Total	$537	$537	$—

(b) Other securities:

	Millions of Yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Stocks	¥15,699	¥21,910	¥6,211
Carrying amount does not exceed acquisition cost:			
Stocks	8,832	7,582	1,250
Total	¥24,532	¥29,492	¥4,960

	Thousands of U.S. Dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Stocks	$168,734	$235,490	$66,756
Carrying amount does not exceed acquisition cost:			
Stocks	94,927	81,492	13,435
Total	$263,672	$316,982	$53,310

March 31, 2009

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

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

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

	Millions of Yen
Unlisted securities	¥1,831

16. Liquidation of Accounts Receivable

Accounts receivable transferred to other for liquidation at March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Accounts receivable	**¥5,933**	¥6,011	**$63,768**

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

Year ended March 31, 2010

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	End of March 31, 2009	Increase during the year	Decrease during the year	End of March 31, 2010
Shares issued:				
Common stock	**371,463,036**	**—**	**—**	**371,463,036**
Treasury stock:				
Common stock (Notes 1 and 2)	**261,340**	**28,868**	**2,500**	**287,708**

Notes 1: The increase in Treasury stock-Common stock of 28,868 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in Treasury stock-Common stock of 2,500 was due to sales of fractional shares of less than one unit.

(b) Dividends

(1) Dividends paid to shareholders

(i) Resolution: Annual general meeting of shareholders held on June 29, 2009
Type of shares: Common stock
Total amount of dividends: ¥2,227 million ($23,936 thousand)
Dividends per share: ¥6 ($0.064)
Cut-off date: March 31, 2009
Effective date: June 30, 2009

(ii) Resolution: Meeting of Board of Directors held on November 2, 2009
Type of shares: Common stock
Total amount of dividends: ¥2,227 million ($23,936 thousand)
Dividends per share: ¥6 ($0.064)
Cut-off date: September 30, 2009
Effective date: December 7, 2009

(2) Dividends whose cut-off date was in the year ended March 31, 2010, but whose effective date is in the following fiscal year
Resolution: Annual general meeting of shareholders held on June 25, 2010
Type of shares: Common stock
Total amount of dividends: ¥2,227 million ($23,936 thousand)
Dividends per share: ¥6 ($0.064)
Cut-off date: March 31, 2010
Effective date: June 28, 2010
Source of dividends: Retained earnings

Year ended March 31, 2009

(a) Information regarding the number and type of shares issued and treasury stock:

	Number of shares			
	End of March 31, 2008	Increase during the year	Decrease during the year	End of March 31, 2009
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Notes 1 and 2).....	234,126	30,687	3,473	261,340

Notes 1: The increase in Treasury stock-Common stock of 30,687 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in Treasury stock-Common stock of 3,473 was due to sales of fractional shares of less than one unit.

(1) Dividends paid to shareholders

(i) Resolution: Annual 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
Cut-off date: March 31, 2008
Effective date: June 30, 2008

(ii) Resolution: Meeting of Board of Directors held on November 4, 2008
Type of shares: Common stock
Total amount of dividends: ¥2,227 million
Dividends per share: ¥6
Cut-off date: September 30, 2008
Effective date: December 8, 2008

(2) Dividends whose cut-off date was in the year ended March 31, 2009, but whose effective date is in the following fiscal year
Resolution: Annual general meeting of shareholders held on June 29, 2009
Type of shares: Common stock
Total amount of dividends: ¥2,227 million
Dividends per share: ¥6
Cut-off date: March 31, 2009
Effective date: June 30, 2009
Source of dividends: Retained earnings

18. Shareholders' Equity

The Corporation Law of Japan 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 meeting of shareholders, or by the Board of Directors if certain conditions are met.

19. 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 the year. Net assets per share are calculated based on the number of shares of common stock outstanding at the year end. Amounts per share at March 31, 2010 and 2009 and for the years then ended were as follows:

	Yen		U.S. Dollars
	Year ended March 31,		Year ended March 31,
	2010	2009	**2010**
Net income..............................	**¥ 47.22**	¥ 43.19	**$0.51**
Net assets	**296.13**	242.13	**3.18**

20. Financial Instrument

Overview

Year ended March 31, 2010

(a) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries invests funds provided by operating cash flows. The Group uses bond issuances and bank borrowings in order to raise additional funds, if needed. The Company manages temporary cash surpluses through low-risk financial assets. The Company uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables — trade notes and accounts receivable — are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. The foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts, if needed.

Investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Company has business relationships.

Trade payables — trade notes and accounts payable — have payment due dates within one year. Although the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk, if needed.

Loans payables and bonds are raised mainly in connection with capital investments. The repayment dates of the long-term debt extend up to five years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2 (p).

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Company is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties. The consolidated subsidiaries also manage credit risk using the Company's internal policies and manners.

The Company also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a high credit-rating.

(ii) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Company may also enter into interest rate swap transactions.

For investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority. Monthly reports including actual transaction data are submitted to top management for their review. The consolidated subsidiaries also conduct derivative transactions using the Company's internal policies.

(iii) Monitoring of liquidity risk (the risk that the Company may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Company prepares and updates its cash flow plans in a timely basis to manage liquidity risk. The consolidated subsidiaries manage the liquidity risk using cash flow plans and report to the Company periodically.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 22 Derivative Transactions-Supplemental explanation on Quantitative Information are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note (ii) below).

Year ended March 31, 2010

	Millions of Yen		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**¥ 45,646**	**¥ 45,646**	**¥ —**
Trade notes and accounts receivable	**42,431**	**42,424**	**(6)**
Securities			
Other securities with maturity	**50**	**50**	**—**
Other securities	**30,148**	**30,148**	**—**
Total assets	**¥118,276**	**¥118,269**	**¥ (6)**
Liabilities			
Trade notes and account payable	**¥ 36,232**	**¥ 36,232**	**¥ —**
Short-term borrowings	**13,722**	**13,722**	**—**
Current portion of long-term debt	**667**	**669**	**1**
Bonds with maturity within one year	**10,000**	**10,012**	**12**
Long-term debt	**28,170**	**28,609**	**439**
Total liabilities	**¥ 88,792**	**¥ 89,246**	**¥453**
Derivatives (*)	**¥ (358)**	**¥ (358)**	**¥ —**

	Thousands of U.S. Dollars		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**$ 490,606**	**$ 490,606**	**$ —**
Trade notes and accounts receivable	**456,051**	**455,976**	**(64)**
Securities			
Other securities with maturity	**537**	**537**	**—**
Other securities	**324,033**	**324,033**	**—**
Total assets	**$1,271,238**	**$1,271,163**	**$ (64)**
Liabilities			
Trade notes and account payable	**$ 389,424**	**$ 389,424**	**$ —**
Short-term borrowings	**147,485**	**147,485**	**—**
Current portion of long-term debt	**7,169**	**7,190**	**11**
Bonds with maturity within one year	**107,481**	**107,610**	**129**
Long-term debt	**302,773**	**307,491**	**4,718**
Total liabilities	**$ 954,342**	**$ 959,222**	**$4,869**
Derivatives (*)	**$ (3,848)**	**$ (3,848)**	**$ —**

(*) The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

(i) Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

Cash on hand and in banks

The carrying amount is used for bank deposit without maturity, because the fair value approximates the carrying value. The fair value of held-to-maturity in bank is calculated from the percent value of the total principal and interest discounted at a rate supposing newly conducted deposit.

Trade notes and accounts receivables

These fair values are calculated periodically-compartmentalized each receivable from the percent value of the interest discounted at rate adding the period to maturity day and credit risk.

Securities

The carrying amount is used for other securities with maturity, because the fair value approximates the carrying amount.

Liabilities

Trade notes and accounts payable and Short-term borrowings

The carrying amount is used for these items, because the fair value is approximates the carrying amount.

Current portion of long-term debt, Bonds with maturity within one year and long-term debt

These fair values are calculated by applying discount rate to the total of principal and interest. That discount rate is based on the assumed interest if similar new bonds issue. Current portion of long-term loans and long-term loans with variable interest rates are intended special treatment of interest rate swap, and calculates by applying discount rate to the total of principal and interest. That discount rate is based on the assumed interest if similar new bonds issue.

Derivatives Transactions

Please refer to Note 22, Derivatives of the notes the consolidated financial statements.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of Yen	Thousands of U.S. Dollars
	2010	
Unlisted stocks	**¥2,217**	**$23,828**

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have quoted market prices and future cash flows cannot be estimated, they are not included in "Securities" of about table.

(iii) Redemption schedule for receivables and securities with maturities at March 31, 2010.

Year ended March 31, 2010

	Millions of Yen		
	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	**¥45,646**	**¥ —**	**¥—**
Trade notes and accounts receivable	**41,849**	**582**	**—**
Securities			
Other securities with maturities	**50**	**—**	**—**
Total	**¥87,546**	**¥582**	**¥—**

	Thousands of U.S. Dollars		
	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	**$490,606**	**$ —**	**$—**
Trade notes and accounts receivable	**449,796**	**6,255**	**—**
Securities			
Other securities with maturities	**537**	**—**	**—**
Total	**$940,950**	**$6,255**	**$—**

(iv) The redemption schedule for long-term debt

Year ended March 31, 2010

	Millions of Yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**¥10,000**	**¥ 667**	**¥2,026**
Due after 1 year through 2 years	**—**	**635**	**1,674**
Due after 2 years through 3 years	**—**	**13,670**	**1,258**
Due after 3 years through 4 years	**—**	**10,370**	**525**
Due after 4 years through 5 years	**—**	**2,550**	**247**
Due after 5 years	**—**	**945**	**149**

	Thousands of U.S. Dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**$107,481**	**$ 7,169**	**$21,776**
Due after 1 year through 2 years	**—**	**6,825**	**17,992**
Due after 2 years through 3 years	**—**	**146,926**	**13,521**
Due after 3 years through 4 years	**—**	**111,457**	**5,643**
Due after 4 years through 5 years	**—**	**27,408**	**2,655**
Due after 5 years	**—**	**10,157**	**1,601**

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standards for Financial Instruments" (Corporate Accounting Standards No. 10 March 10, 2008) and the "Implementation Guidance of Accounting Standards for Financial Instruments" (Implementation Guidance of Corporate Accounting Standards, No. 19 March 10, 2008).

21. Investment and Rental Properties

Year ended March 31, 2010

The Company has omitted Investment and Rental Properties due to the immateriality for the year ended March 31, 2010.

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standards for Investment and Rental Properties" (Corporate Accounting Standards No. 20 November 28, 2008) and the "Implementation Guidance of Accounting Standards for Investment and Rental Properties" (Implementation Guidance of Corporate Accounting Standards, No. 23 November 28, 2008).

22. Derivative Transactions

Year ended March 31, 2010

(a) Derivatives not subject to hedge accounting

None applicable

(b) Derivatives subject to hedge accounting

The contract amounts or the amount corresponding to principal as specified by the contract as of the date of the closing of the consolidated accounts is shown below by type of hedge accounting method.

(i) Currency-related transactions

			Millions of Yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable		Over one year	
	Sold options				
	U.S. dollars		**¥6,087**	**¥1,396**	**¥ (41)**
	Euros		**129**	**—**	**5**
	Foreign exchange forward contracts	Notes and accounts payable			
	Purchased options				
	U.S. dollars		**¥ 117**	**¥ —**	**¥ 0**
	Euros		**4,042**	**1**	**(315)**
	Sterling pound		**139**	**—**	**(7)**

			Thousands of U.S. Dollars		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable		Over one year	
	Sold options				
	U.S. dollars		**$65,423**	**$15,004**	**$ (441)**
	Euros		**1,387**	**—**	**54**
	Foreign exchange forward contracts	Notes and accounts payable			
	Purchased options				
	U.S. dollars		**$ 1,258**	**$ —**	**$ 0**
	Euros		**43,444**	**11**	**(3,386)**
	Sterling pound		**1,494**	**—**	**(75)**

Note: Calculation of fair value is based on the forward exchange rate.

(ii) Interest-related transactions

			Millions of Yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
Special treatment of interest rate swap	Receive / floating and pay / fixed			Over one year	
		Current portion of long-term borrowings			
		Long-term borrowings	¥23,540	¥23,360	(*)

			Thousands of U.S. Dollars		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
Special treatment of interest rate swap	Receive / floating and pay / fixed			Over one year	
		Current portion of long-term borrowings			
		Long-term borrowings	$253,009	$251,075	(*)

(*) Since amounts in interest rate swap contracts treated by the Special treatment of interest rate swap are handle together with Long-term borrowings that are subject to hedging, the estimated fair value of such Long-term borrowings is shown as the estimated fair value in the preceding table.

Note: Calculation of fair value is based on the stated price by financial institutions.

Year ended March 31, 2009

(a) Items related to the status of derivative transactions

(1) Description of financial derivatives and objectives in their usage

The Company makes use of forward foreign exchange contracts to reduce risks related to currency exchange fluctuations that may be incurred by the Company in its export and import transactions and capital transactions.

The Company makes use of interest rate swap to reduce risks related to currency exchange fluctuations by rising.

Please note that the Company makes use of such derivative transactions and has adopted hedge accounting principles.

(i) Method of hedge accounting
The Company use deferral hedge accounting.

(ii) Hedging instruments and hedged items
Hedging instruments; Forward foreign exchange contracts and interest rate swap
Hedging items; Foreign currency forecasted transactions and borrowing

(iii) Hedging policy
The Company enters into forward foreign exchange contracts and interest rate swap as hedging instruments within the limit of plan foreign transactions and objective obligation to reduce risk arising from future fluctuations of foreign exchange rates and interest rate.

(iv) Evaluation of hedging effectiveness
The Company evaluates the effectiveness of hedging based on the strong correlation between changes in market rates under hedging coverage, cash flow, and hedging instruments.

(2) Policy for derivative transactions

The Company policy regarding derivatives related to foreign currency and interest rate is to limit usage to those derivative transactions that are needed for the Company's business purposes and not to engage in such transactions for speculative or trading purposes.

(3) Risk inherent in derivative transactions

Because derivative transactions of contract are more-credible domestic bank or business firm, the Company judges few credit risks.

(4) Risk management system for derivative transactions

The Company establish internal rule for the management of derivatives.

Regarding internal rule, it is express transaction of authority and management of rules and regulations.

(b) Market value of derivatives

Because hedge accounting is appropriately applied to all derivative transactions, the market value of derivative is not shown.

23. Segment Information

(a) Business 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.

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 "Steel products" segment by ¥677 million, in "Machinery products" segment by ¥241 million, respectively, and decreased "Operating income" in both segments by the same amounts compared with the corresponding amounts which would have been accounted for under the previous method.

	Millions of Yen					
Year ended March 31, 2010	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
Sales and operating income:						
Sales to third parties	**¥101,736**	**¥98,164**	**¥ 1,779**	**¥201,680**	**¥ —**	**¥201,680**
Intra-segment sales and transfers	**1,653**	**1,210**	**6**	**2,870**	**(2,870)**	**—**
Net sales	**103,390**	**99,375**	**1,785**	**204,551**	**(2,870)**	**201,680**
Operating expenses	**71,749**	**92,839**	**1,052**	**165,641**	**3,853**	**169,494**
Operating income	**¥ 31,640**	**¥ 6,535**	**¥ 733**	**¥ 38,909**	**¥ (6,723)**	**¥ 32,185**
Total assets, depreciation expense, loss on impairment of goodwill and capital expenditures:						
Total assets	**¥145,635**	**¥85,943**	**¥12,711**	**¥244,290**	**¥78,696**	**¥322,986**
Depreciation expense	**10,564**	**3,329**	**305**	**14,199**	**223**	**14,422**
Loss on impairment of goodwill	**—**	**—**	**—**	**—**	**—**	**—**
Capital expenditures	**30,251**	**1,178**	**42**	**31,472**	**391**	**31,864**

Year ended March 31, 2010	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
	Thousands of U.S. Dollars					
Sales and operating income:						
Sales to third parties	**$1,093,465**	**$1,055,073**	**$ 19,121**	**$2,167,670**	**$ —**	**$2,167,670**
Intra-segment sales and transfers	**17,767**	**13,005**	**64**	**30,847**	**(30,847)**	**—**
Net sales	**1,111,242**	**1,068,089**	**19,185**	**2,198,528**	**(30,847)**	**2,167,670**
Operating expenses	**771,163**	**997,840**	**11,307**	**1,780,320**	**41,412**	**1,821,733**
Operating income	**$ 340,069**	**$ 70,239**	**$ 7,878**	**$ 418,196**	**$ (72,259)**	**$ 345,926**
Total assets, depreciation expense, loss on impairment of goodwill and capital expenditures:						
Total assets	**$1,565,294**	**$ 923,721**	**$136,619**	**$2,625,645**	**$845,722**	**$3,471,475**
Depreciation expense	**113,543**	**35,780**	**3,278**	**152,612**	**2,397**	**155,009**
Loss on impairment of goodwill	**—**	**—**	**—**	**—**	**—**	**—**
Capital expenditures	**325,140**	**12,661**	**451**	**338,263**	**4,202**	**342,476**

Year ended March 31, 2009	Steel Products	Machinery Products	Regional Development	Total	Eliminations and Corporate	Consolidated
	Millions of Yen					
Sales and operating income:						
Sales to third parties	¥107,883	¥117,462	¥ 1,767	¥227,113	¥ —	¥227,113
Intra-segment 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

(b) Geographical segment information

The Company has omitted geographical segment information for the year ended March 31, 2010 and 2009 because net sales and total assets in Japan were more than 90% of those of all segments.

(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, 2010 and 2009 are summarized as follows:

Year ended March 31, 2010	East Asia	North America	Other	Total
	Millions of Yen			
Overseas sales	**¥45,013**	**¥20,256**	**¥28,633**	**¥ 93,903**
Net consolidated sales				**¥201,680**
Overseas sales as a percentage of net consolidated sales (%)	**22.3**	**10.0**	**14.2**	**46.6**

Year ended March 31, 2010	East Asia	North America	Other	Total
	Thousands of U.S. Dollars			
Overseas sales	**$483,803**	**$217,713**	**$307,749**	**$1,009,276**
Net consolidated sales				**$2,167,670**
Overseas sales as a percentage of net consolidated sales (%)	**22.3**	**10.0**	**14.2**	**46.6**

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

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, 2010 and 2009, 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, 2010 and 2009, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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
Shin Nihon LLC

June 25, 2010

A member firm of Ernst & Young Global Limited

Corporate Directory

Stock Information

Authorized Shares
1,000,000,000 shares

Issued and Outstanding Shares
371,463,036 shares

Shareholders
39,384

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 %)

Japan Trustee Services Bank, Ltd. (Trust Account)	5.28%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.93%
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%
BNP-PARIBAS SECURITIES SERVICES PARIS/JASDEC FRENCH RESIDENTS	1.36%
Mitsubishi Heavy Industries, Ltd.	1.36%
JP MORGAN CHASE BANK 380055	1.35%

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

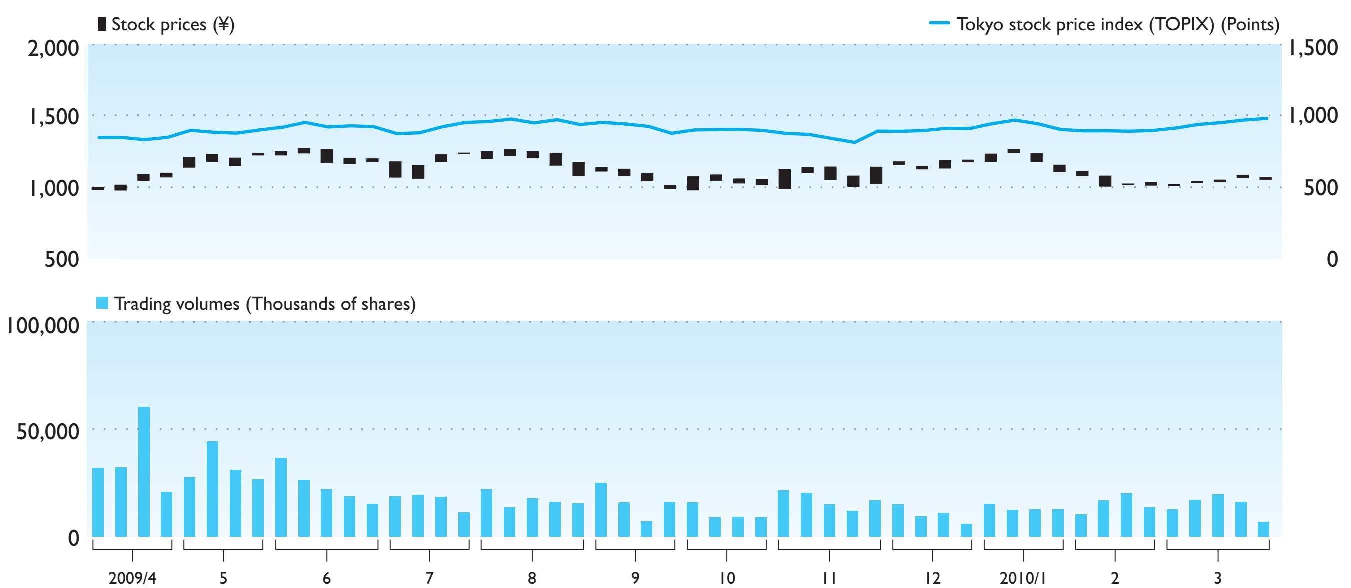
Paid-in Capital
¥19,694 million

Employees
2,048 (Consolidated 4,905)

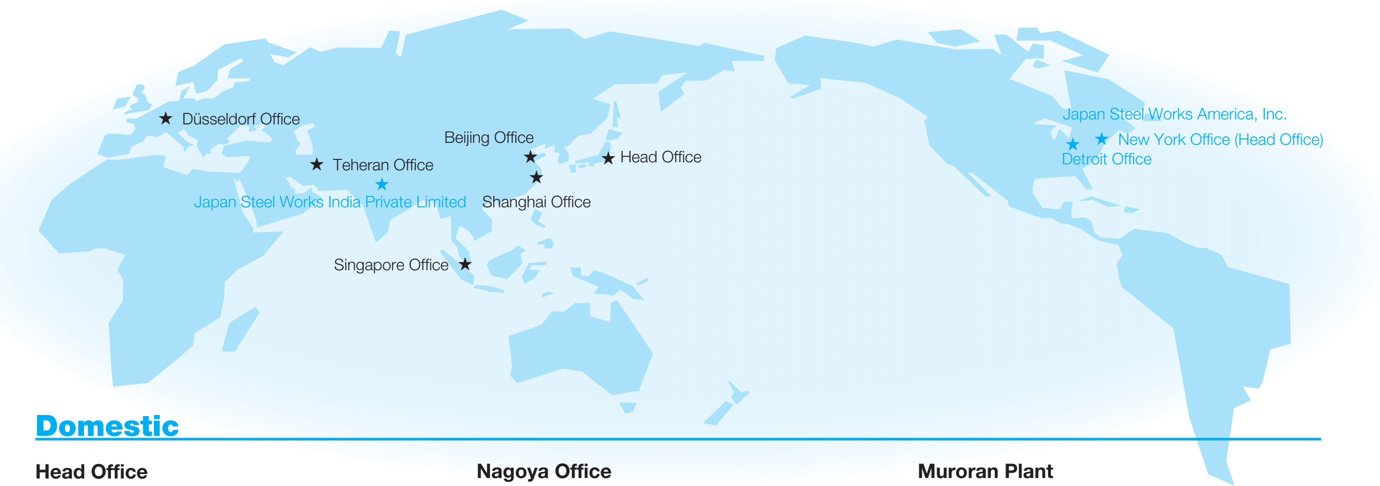
Auditor
Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.,
2-3, Uchisaiwai-cho 2-chome,
Chiyoda-ku, Tokyo, Japan

(as of March 31, 2010)

JSW's Stock Prices



Offices & Plants



Domestic

Head Office
Gate City Ohsaki-West Tower, 11-1, Osaki 1-chome, Shinagawa-ku, Tokyo 100-8456
Phone: +81-3-5745-2001
Facsimile: +81-3-5745-2025

Osaka Office
Shinanobashi Mitsui Bldg., 11-7, Utsubohonmachi 1-chome, Nishi-ku, Osaka-shi, Osaka 550-0004
Phone: +81-6-6446-2480
Facsimile: +81-6-6446-2488

Fukuoka Office
23-2, Sakuragaoka 1-chome, Kasuga-shi, Fukuoka 816-0872
Phone: +81-92-582-8111
Facsimile: +81-92-582-8124

Nagoya Office
Mitsui Sumitomo Kaijo Nagoya Shirakawa Bldg., 9-15, Sakae 2-chome, Naka-ku, Nagoya-shi, Aichi 460-0008
Phone: +81-52-222-1271
Facsimile: +81-52-222-1275

Hiroshima Office
6-1, Funakoshi-Minami 1-chome, Aki-ku, Hiroshima-shi, Hiroshima 736-8602
Phone: +81-82-822-0991
Facsimile: +81-82-822-0997

Sapporo Office
Kitaichijo Mitsui Bldg., 2-9, Nishi 5-chome, Kita-ichijo, Chuo-ku, Sapporo-shi, Hokkaido 060-0001
Phone: +81-11-241-2271
Facsimile: +81-11-241-2275

Muroran Plant
4, Chatsumachi, Muroran-shi, Hokkaido 051-8505
Phone: +81-143-22-0143
Facsimile: +81-143-24-3440

Hiroshima Plant
6-1, Funakoshi-Minami 1-chome, Aki-ku, Hiroshima-shi, Hiroshima 736-8602
Phone: +81-82-822-3181
Facsimile: +81-82-285-2038

Yokohama Plant
2-1, Fukuura 2-chome, Kanazawa-ku, Yokohama-shi, Kanagawa 236-0004
Phone: +81-45-781-1111
Facsimile: +81-45-787-7200

Overseas

Düsseldorf Office
Friedrichstr. 19, 40217 Düsseldorf, F.R.Germany
Phone: +49-211-3116660
Facsimile: +49-211-31166640

Teheran Office
Argentine SQ., ZAGROS St., ZAGROS Bldg. No.25, Apt. No.21, 2F, 1516663111, Teheran, I.R. of Iran
Phone: +98-21-8774636
Facsimile: +98-21-8774636

Singapore Office
16 Raffles Quay, #27-01C, Hong Leong Bldg., Singapore 048581, Republic of Singapore
Phone: +65-62206227
Facsimile: +65-62240726

Shanghai Office
24-G, Huamin Empire Plaza, No.726, Yanan Rd. (W), Shanghai 200050, People's Republic of China
Phone: +86-21-5239-1438
+86-21-5239-4335
Facsimile: +86-21-5239-3450

Beijing Office
Room No. 1007, Beijng Fortune Bldg., 5 Dong Sanhuan Bei-lu, Chaoyang District, Beijing, People's Republic of China
Phone: +86-10-6590-8966
Facsimile: +86-10-6590-8968

Japan Steel Works America, Inc.
New York Office (Head Office)
1211 Ave. of the Americas, Suite 4302, New York, NY 10036, U.S.A.
Phone: +1-212-490-2630
Facsimile: +1-212-490-2575

Detroit Office
41135 Vincenti Court Novi, MI 48375 U.S.A.
Phone: +1-248-536-0288
Facsimile: +1-248-536-5615

Japan Steel Works India Private Limited
611, Time Tower, MG Road, Sector 28, Gurgaon, Haryana, 122001, India
Phone: +91-124-469-4444
Facsimile: +91-124-469-4433

JSW Plastics Machinery, Inc.
555 South Promenade Ave., Unit 104 Corona, California 92879, U.S.A.
Phone: +1-951-898-0934
Facsimile: +1-951-898-0944

JSW Plastics Machinery (S) Pte Ltd.
17 Gul Lane, Jurong Town, Singapore 629413, Republic of Singapore
Phone: +65-68614511
Facsimile: +65-68623166

JSW Plastics Machinery (H.K.) Co., Ltd.
Room 907, Corporation Park, 11 On Lai St., Shatin, N. T., Hong Kong
Phone: +852-2648-0720
Facsimile: +852-2686-8204

JSW Plastics Machinery (M) SDN. BHD.
D6-5-G Block D6, Pusat Perdagangan Dana, 1 Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Malaysia
Phone: +60-3-7842-6076/6077
Facsimile: +60-3-7842-6078

JSW Plastics Machinery (T) Co., Ltd.
368/4 Soi Soonvijai 4, (Soi Japanese School Rama IX), Bangkapi, Huaykwang, Bangkok 10310, Kingdom of Thailand
Phone: +66-2-369-4007
Facsimile: +66-2-369-4035

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