Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales increased ¥8,439 million, or 4.0%, year on year, to ¥221,368 million (US$2,693 million) in the reporting period.

The decline in sales of the Steel and Energy Products Business was more than offset by growth in sales of the Industrial Machinery Products Business.

Operating Income

Operating income declined ¥4,584 million, or 16.1%, to ¥23,911 million (US$290 million). This decrease was mainly attributable to a more efficient balance between inventory turnover and notes and accounts receivable as a measure to strengthen our financial position, as well as to aggressive cost-cutting including improved variable costs and further reductions in fixed costs as efforts to lower the break-even point, both of which were more than offset by the appreciation of the yen, lower product price as a result of intensified competition, as well as increased depreciation and amortization.

Net Income

Net income decreased ¥3,941 million, or 23.8%, to ¥12,591 million (US$153 million).

Geographical Information

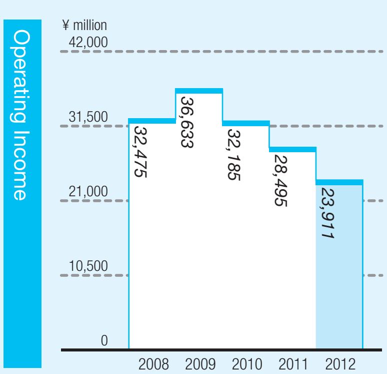
The Japanese market accounted for sales of ¥111,156 million (US$1,352 million) and the Chinese market for ¥32,038 million (US$389 million), with all other markets accounting for ¥78,173 million (US$951 million).

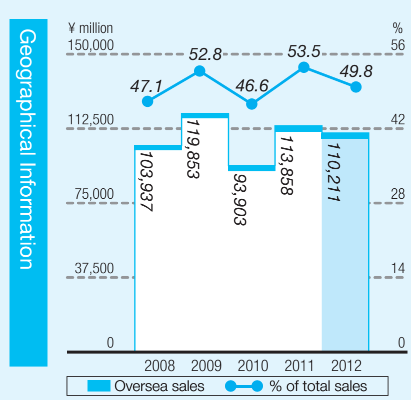
Cash Flows

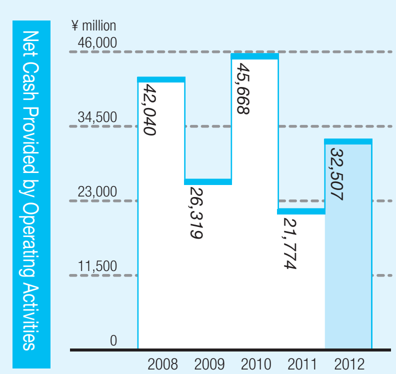
Cash and cash equivalents stood at ¥48,107 million (US$585 million) at the reporting term-end, up ¥6,990 million year on year after adjusting noncash items. This was the result of a decline in working capital as well as the non-performance of significant fund procurement on a consolidated accounts basis during the reporting term.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥32,507 million (US$395 million), compared with ¥21,774 million in the previous term. This was the result of a decline in working capital and other factors, despite the fact that net income before income taxes and other adjustments came to ¥20,302 million.







Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥18,601 million (US$226 million), compared with ¥28,238 million for the previous term. This was due mainly to an investment of ¥17,233 million in property, plant and equipment for the purpose of raising production efficiency.

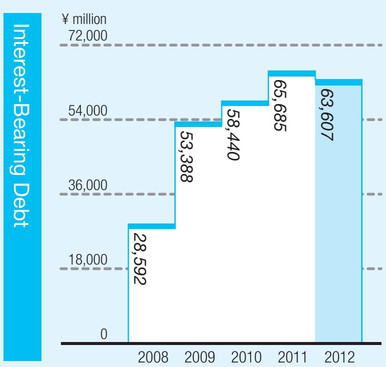
Cash Flow from Financing Activities

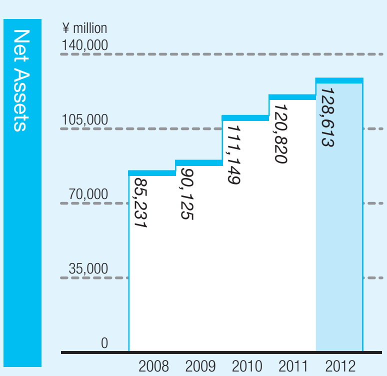
Net cash provided by financing activities amounted to ¥6,846 million (US$83 million) compared with a net cash inflow of ¥2,116 million for the previous term. This was the result of the non-performance of significant fund procurement during the reporting term, on a consolidated accounts basis, as well as an expenditure of ¥4,082 million for the payment of dividends and other factors.

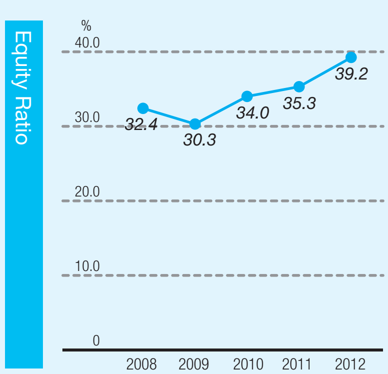
Financial Position

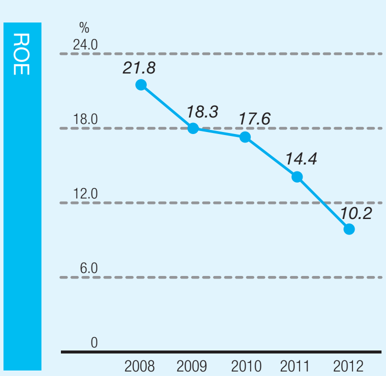
Total assets as of the end of March 2012 stood at ¥325,653 million (US$3,962 million), down ¥13,610 million, or 4.0%, from the previous term-end. This was mainly due to a decrease in non-current assets.

Liabilities at the reporting term-end stood at ¥197,039 million (US$2,397 million), down ¥21,403 million, or 9.8%, over the previous term-end. This was largely attributable to an decrease in long-term debt. Interest-bearing debt stood at ¥63,607 million (US$773 million), down ¥2,079 million from the previous fiscal year. Net assets at the reporting term-end totaled ¥128,613 million (US$1,564 million), for an increase of ¥7,793 million, or 6.5%, over the previous term-end.









THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2012 and 2011

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 3) 2012
Current assets:			
Cash on hand and in banks (Notes 16 and 17)	**¥ 48,148**	¥ 41,187	**$ 585,813**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**2,062**	1,251	**25,088**
Trade (Notes 8 and 16)	**44,495**	43,998	**541,368**
Other	**370**	1,608	**4,502**
Less allowance for doubtful accounts	**(314)**	(208)	**(3,820)**
Inventories (Note 4)	**79,348**	82,241	**965,422**
Deferred tax assets (Note 20)	**6,400**	6,852	**77,868**
Other current assets	**4,139**	8,535	**50,359**
Total current assets	**184,652**	185,467	**2,246,648**
Property, plant and equipment, at cost (Notes 5 and 6):			
Land	**11,058**	11,381	**134,542**
Buildings and structures	**96,954**	96,665	**1,179,633**
Machinery and equipment	**144,515**	139,417	**1,758,304**
Leased assets	**8,042**	8,339	**97,846**
Construction in progress	**2,088**	2,631	**25,405**
	262,659	258,434	**3,195,754**
Less accumulated depreciation	**(156,117)**	(140,893)	**(1,899,465)**
Property, plant and equipment, net	**106,541**	117,540	**1,296,277**
Intangible assets	**934**	1,005	**11,364**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**868**	875	**10,561**
Investment securities (Notes 16 and 17)	**25,434**	27,613	**309,454**
Long-term loans receivable	**241**	111	**2,932**
Deferred tax assets (Note 20)	**1,932**	2,075	**23,507**
Other assets (Note 8)	**5,471**	4,772	**66,565**
Less allowance for doubtful accounts	**(423)**	(198)	**(5,147)**
Total investments and other assets	**33,524**	35,249	**407,884**
Total assets	**¥325,653**	¥339,263	**$3,962,197**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 3) 2012
Current liabilities:			
Short-term borrowings (Notes 8 and 16)	**¥ 12,885**	¥ 13,120	**$ 156,771**
Current portion of long-term debt (Notes 8 and 16)	**15,190**	2,435	**184,816**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**37**	81	**450**
Trade (Note 16)	**41,634**	44,932	**506,558**
Other	**1,749**	6,384	**21,280**
Advances received for products	**32,615**	31,024	**396,824**
Accrued income taxes (Note 20)	**4,141**	7,979	**50,383**
Other current liabilities	**21,396**	27,600	**260,324**
Total current liabilities	**129,649**	133,558	**1,577,430**
Long-term liabilities:			
Long-term debt (Notes 8 and 16)	**35,532**	50,130	**432,315**
Accrued retirement benefits (Note 19)			
For employees	**9,695**	9,339	**117,958**
For directors and corporate auditors	**195**	199	**2,373**
Deferred tax liabilities (Note 20)	**1,084**	1,720	**13,189**
Other long-term liabilities	**20,881**	23,494	**254,058**
Total long-term liabilities	**67,389**	84,884	**819,917**
Net assets:			
Shareholders' equity (Note 13)			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued — 371,463,036 shares	**19,694**	19,694	**239,616**
Capital surplus	**5,426**	5,426	**66,018**
Retained earnings	**103,288**	94,779	**1,256,698**
Treasury stock, at cost (621,564 shares in 2012 and 299,234 shares in 2011)	**(408)**	(224)	**(4,964)**
Total shareholders' equity	**128,000**	119,676	**1,557,367**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	**385**	687	**4,684**
Unrealized gain (loss) from hedging instruments	**(62)**	102	**(754)**
Translation adjustments	**(650)**	(586)	**(7,909)**
Total accumulated other comprehensive income	**(327)**	203	**(3,979)**
Minority interests	**940**	940	**11,437**
Total net assets	**128,613**	120,820	**1,564,825**
Total liabilities and net assets	**¥325,653**	¥339,263	**$3,962,197**

THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Net sales	**¥221,368**	¥212,929	**$2,693,369**
Cost of sales (Note 10)	**169,733**	155,433	**2,065,130**
Gross profit	**51,634**	57,496	**628,227**
Selling, general and administrative expenses (Note 10)	**27,723**	29,000	**337,304**
Operating income	**23,911**	28,495	**290,923**
Other income (expenses):			
Interest and dividend income	**531**	484	**6,461**
Interest expense	**(664)**	(739)	**(8,079)**
Other, net (Note 11)	**(3,476)**	(316)	**(42,292)**
	(3,609)	(571)	**(43,910)**
Income before income taxes and minority interests	**20,302**	27,923	**247,013**
Income taxes (Note 20)**:**			
Current	**7,373**	14,075	**89,707**
Deferred	**312**	(2,396)	**3,796**
Income before minority interests	**12,616**	16,244	**153,498**
Minority interests in net income (loss) of consolidated subsidiaries	**(25)**	(287)	**(304)**
Net income (Note 26)	**¥ 12,591**	¥ 16,532	**$ 153,194**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Income before minority interests	**¥12,616**	¥16,244	**$153,498**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	**(302)**	(2,261)	**(3,674)**
Unrealized gain (loss) from hedging instruments	**(164)**	315	**(1,995)**
Translation adjustments	**(68)**	(161)	**(827)**
Total other comprehensive income (Note 12)	**(535)**	(2,107)	**(6,509)**
Comprehensive income	**¥12,081**	¥14,137	**$146,989**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	**¥12,060**	¥14,426	**$146,733**
Minority interests	**¥ 21**	¥ (288)	**$ 256**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Common stock:			
Balance at beginning of year	**¥ 19,694**	¥ 19,694	**$ 239,616**
Balance at end of year	**¥ 19,694**	¥ 19,694	**$ 239,616**
Capital surplus:			
Balance at beginning of year	**¥ 5,426**	¥ 5,425	**$ 66,018**
Disposal of treasury stock	**(0)**	0	**(0)**
Balance at end of year	**¥ 5,426**	¥ 5,426	**$ 66,018**
Retained earnings:			
Balance at beginning of year	**¥ 94,779**	¥ 82,701	**$1,153,169**
Cash dividends paid	**(4,082)**	(4,454)	**(49,665)**
Net income	**12,591**	16,532	**153,194**
Balance at end of year	**¥103,288**	¥ 94,779	**$1,256,698**
Treasury stock, at cost:			
Balance at beginning of year	**¥ (224)**	¥ (213)	**$ (2,725)**
Purchases of treasury stock	**(184)**	(12)	**(2,239)**
Disposal of treasury stock	**0**	2	**0**
Balance at end of year	**¥ (408)**	¥ (224)	**$ (4,964)**
Total shareholders' equity:			
Balance at beginning of year	**¥119,676**	¥107,607	**$1,456,090**
Cash dividends paid	**(4,082)**	(4,454)	**(49,665)**
Net income	**12,591**	16,532	**153,194**
Purchases of treasury stock	**(184)**	(12)	**(2,239)**
Disposal of treasury stock	**0**	3	**0**
Balance at end of year	**¥128,000**	¥119,676	**$1,557,367**
Unrealized holding gain (loss) on securities:			
Balance at beginning of year	**¥ 687**	¥ 2,949	**$ 8,359**
Net changes in items other than those in shareholders' equity	**(302)**	(2,261)	**(3,674)**
Balance at end of year	**¥ 385**	¥ 687	**$ 4,684**
Unrealized gain (loss) from hedging instruments:			
Balance at beginning of year	**¥ 102**	¥ (213)	**$ 1,241**
Net changes in items other than those in shareholders' equity	**(164)**	315	**(1,995)**
Balance at end of year	**¥ (62)**	¥ 102	**$ (754)**
Translation adjustments:			
Balance at beginning of year	**¥ (586)**	¥ (425)	**$ (7,130)**
Net changes in items other than those in shareholders' equity	**(64)**	(160)	**(779)**
Balance at end of year	**¥ (650)**	¥ (586)	**$ (7,909)**
Total accumulated other comprehensive income:			
Balance at beginning of year	**¥ 203**	¥ 2,310	**$ 2,470**
Net changes in items other than those in shareholders' equity	**(531)**	(2,106)	**(6,461)**
Balance at end of year	**¥ (327)**	¥ 203	**$ (3,979)**
Minority interests:			
Balance at beginning of year	**¥ 940**	¥ 1,231	**$ 11,437**
Net changes in items other than those in shareholders' equity	**(0)**	(290)	**(0)**
Balance at end of year	**¥ 940**	¥ 940	**$ 11,437**
Total net assets:			
Balance at beginning of year	**¥120,820**	¥111,149	**$1,470,009**
Cash dividends paid	**(4,082)**	(4,454)	**(49,665)**
Net income	**12,591**	16,532	**153,194**
Purchases of treasury stock	**(184)**	(12)	**(2,239)**
Disposal of treasury stock	**0**	3	**0**
Net changes in items other than those in shareholders' equity	**(531)**	(2,397)	**(6,461)**
Balance at end of year	**¥128,613**	¥120,820	**$1,564,825**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2012	2011	**2012**
Operating activities			
Income before income taxes and minority interests	**¥20,302**	¥27,923	**$247,013**
Depreciation and amortization	**19,244**	20,021	**234,140**
Interest and dividend income	**(531)**	(484)	**(6,461)**
Interest expense	**664**	739	**8,079**
Equity in (earnings) losses of affiliates	**0**	0	**0**
Loss on write-downs of investment securities	**2,303**	340	**28,020**
Loss on disposal of tangible and intangible assets	**379**	481	**4,611**
(Gain) loss on sales of property, plant and equipment	**(53)**	(15)	**(645)**
Loss on sales of investments in subsidiaries and affiliates	**320**	—	**3,893**
Changes in operating assets and liabilities:			
Trade assets (Note 16)	**(1,720)**	(16,489)	**(20,927)**
Trade liabilities	**(3,332)**	11,255	**(40,540)**
Inventories (Note 4)	**2,776**	(12,614)	**33,775**
Other	**3,507**	3,381	**42,669**
Subtotal	**43,859**	34,539	**553,629**
Interest and dividends received	**526**	487	**6,400**
Interest paid	**(667)**	(725)	**(8,115)**
Income taxes paid	**(11,210)**	(12,527)	**(136,391)**
Net cash provided by operating activities	**32,507**	21,774	**395,510**
Investing activities			
Increase in tangible and intangible assets	**(17,233)**	(27,626)	**(209,673)**
Decrease in tangible and intangible assets	**236**	157	**2,871**
Purchases of investment securities	**(682)**	(41)	**(8,298)**
Proceeds from sales of investment securities	**0**	0	**0**
Reimbursement of long-term deposits on contracts	**(739)**	(487)	**(8,991)**
(Increase) decrease in short-term loans receivable	**(205)**	2	**(2,494)**
Long-term loans receivable made	**(30)**	(56)	**(365)**
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	**(117)**	—	**(1,424)**
Other	**170**	(187)	**2,068**
Net cash used in investing activities	**(18,601)**	(28,238)	**(226,317)**
Financing activities (Notes 8 and 16)			
Net decrease in short-term borrowings	**(235)**	(602)	**(2,859)**
Increase in long-term debt	**—**	10,420	**—**
Decrease in long-term debt	**(635)**	(1,087)	**(7,726)**
Cash dividend paid	**(4,082)**	(4,454)	**(49,665)**
Acquisition of treasury stock	**(2)**	(12)	**(24)**
Proceeds from sales of treasury stock	**0**	3	**0**
Repayments of finance lease obligations	**(1,869)**	(2,097)	**(22,740)**
Other	**(21)**	(52)	**(256)**
Net cash provided by (used in) financing activities	**(6,846)**	2,116	**(83,295)**
Effect of exchange rate changes on cash and cash equivalents	**(69)**	(138)	**(840)**
(Decrease) increase in cash and cash equivalents	**6,990**	(4,486)	**85,047**
Cash and cash equivalents at beginning of the year	**41,116**	45,603	**500,256**
Cash and cash equivalents at end of the year (Notes 14 and 16)	**¥48,107**	¥41,116	**$585,315**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

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.

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, 2012, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 34 and 1 (37 and 1 in 2011), respectively. Effective March 31, 2012, Joyo Engineering Co., Ltd. was excluded from the scope of consolidation as a result of divestiture of shares. Nikko Machinery Co., Ltd. and J·Tech Co., Ltd. were excluded from the scope of consolidation, after Nikko Machinery Co., Ltd. was absorbed by JSW Machine Center Co., Ltd. and J·Tech Co., Ltd. was absorbed by Nikko Techno Co., Ltd. Certain foreign subsidiaries are consolidated on the basis of fiscal periods ended December 31, which differ from that of the Company. However, the necessary adjustments have been made if the effect of the difference is material.

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

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by the straight-line method over 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 the 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 held for sale, finished products and work in process are stated the lower of cost or net realizable value determined principally by the specific identification method. Raw materials are stated at the lower of cost or replacement cost determined principally by the moving average method.

(e) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into two categories: held-to-maturity or other securities.

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 loss on construction contracts

The Company provides a provision for loss on construction contracts, which has not been delivered by the fiscal year end, by estimating the amount of total losses anticipated in the following fiscal year and thereafter to be incurred, when the 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.

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

(j) Leases and depreciation

Finance lease transactions which do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as sales and purchase transactions.

With regard to the depreciation method of leased assets, the straight-line method is applied using the lease period as the estimated useful life and a residual value of zero.

(k) 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 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 date, as adjusted for 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.

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.

(l) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated balance sheets 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.

(m) Research and development expenses

Research and development expenses are charged to income when incurred.

(n) Revenue and cost recognition

Revenues are generally recognized on sales of products at the time of shipment.

Revenues and costs, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied to contracts for which the percentage of completion cannot be reliably estimated.

(o) Derivative financial instruments

Derivative 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 when 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 when certain conditions are met.

(p) Consumption tax

Accounting treatment of consumption tax is the tax exclusion method.

(q) Provision for directors' bonuses

Provision for directors' bonuses is provided based on estimated amounts to be paid in the subsequent period that are applicable to the current period.

(r) Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided based on estimated amounts determined by internal rules.

(s) Additional Information

Effective April 1, 2011, the Company adopted the Accounting Standard for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ), Statement No. 24 issued on December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009).

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollars is included solely for convenience, as a matter of arithmetic computation only, at ¥82.19 = U.S.$1.00, the approximate rate of exchange prevailing on March 30, 2012. 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, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Real estate held for sale	**¥ 18**	¥ 21	**$ 219**
Finished products	**1,431**	1,161	**17,411**
Work in process	**72,706**	75,008	**884,609**
Raw materials and supplies	**5,192**	6,050	**63,171**
Total	**¥79,348**	¥82,241	**$965,422**

Work in process related to construction contracts of which a loss is anticipated to be incurred was offset with a provision for loss on construction contracts of ¥2,391 million ($29,091 thousand) at March 31, 2012 and ¥1,257 million at March 31, 2011.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Depreciation expense	**¥19,252**	¥20,003	**$234,238**

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, 2012 and 2011 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Accumulated advanced depreciation expense	**¥1,287**	¥1,301	**$15,659**

7. Contingent Liabilities

Contingent liabilities at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
As endorsers of trade notes receivable:			
Discounted to banks	**¥ 23**	¥ —	**$ 280**
Endorsed to other	**85**	78	**1,034**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	**586**	588	**7,130**
Gotsu Wind Power Co., Ltd.	**1,633**	1,757	**19,869**
Uncollected receivables in leasing companies	**16**	32	**195**
Employees and other	**355**	498	**4,319**

8. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.636% to 1.975% at March 31, 2012 and 0.64% to 1.975% at March 31, 2011, were unsecured.

Long-term debt at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loans from banks and insurance companies with interest at annual rates ranging from 0.23% to 2.26%	**¥37,535**	¥38,170	**$456,686**
Less those maturing within one year	**(13,670)**	(635)	**(166,322)**
Lease obligations	**3,187**	4,396	**38,776**
Less those maturing within one year	**(1,520)**	(1,800)	**(18,494)**
0.48% straight bonds, due 2015	**10,000**	10,000	**121,669**
Long-term indebtedness reflected in the consolidated balance sheets	**¥35,532**	¥50,130	**$432,315**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2012 are summarized as follows:

	Bonds		Long-term debt	
Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2013	¥ —	$ —	¥13,670	$166,322
2014	—	—	10,370	126,171
2015	—	—	2,550	31,026
2016	10,000	121,669	10,830	131,768
2017	—	—	115	1,399
2018 and thereafter	—	—	—	—

	Lease obligations	
Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013	¥1,520	$18,494
2014	783	9,527
2015	474	5,767
2016	251	3,054
2017	109	1,326
2018 and thereafter	48	584

The assets pledged as collateral for long-term debt at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments and other assets (Other assets)	**¥16**	¥ 28	**$195**

9. Liquidation of Accounts Receivable

Accounts receivable transferred to others for liquidation at March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Accounts receivable	**¥7,750**	¥6,017	**$94,294**

10. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Research and development expenses	**¥4,626**	¥4,487	**$56,284**

11. Other Income (Expenses) — Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Reversal of provision for warranties for completed construction	**¥ 485**	¥ —	**$ 5,901**
Gain on adjustment of insurance	**262**	222	**3,188**
Amortization of negative goodwill	**71**	71	**864**
Provision for warranties for completed construction	**(1,096)**	(620)	**(13,335)**
Equity in losses of affiliates	**0**	0	**0**
Gain on sales of property, plant and equipment	**85**	16	**1,034**
Loss on sales or disposal of property, plant and equipment	**(411)**	(482)	**(5,001)**
Loss on write-downs of investment securities	**(2,303)**	(340)	**(28,020)**
Loss on sales of investments in subsidiaries and affiliates	**(320)**	—	**(3,893)**
Loss on liquidation of subsidiaries and affiliates	**(92)**	—	**(1,119)**
Loss on valuation of membership	**(12)**	(4)	**(146)**
Loss on sales of membership	**(3)**	(0)	**(37)**
Other, net	**(141)**	820	**(1,716)**
Total	**¥(3,476)**	¥(316)	**$(42,292)**

12. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

Year ended March 31, 2012

	Millions of Yen	Thousands of U.S. Dollars
Unrealized holding gain (loss) on securities:		
Amount arising during the year	**¥(2,571)**	**$(31,281)**
Reclassification adjustments for gains and losses realized in net income	**2,013**	**24,492**
The amount of unrealized holding gain (loss) on securities before tax effect	**(558)**	**(6,789)**
Tax effect	**256**	**3,115**
Unrealized holding gain (loss) on securities	**(302)**	**(3,674)**
Unrealized gain (loss) from hedging instruments:		
Amount arising during the year	**(272)**	**(3,309)**
Tax effect	**107**	**1,302**
Unrealized gain (loss) from hedging instruments	**(164)**	**(1,995)**
Translation adjustments:		
Amount arising during the year	**(68)**	**(827)**
Translation adjustments	**(68)**	**(827)**
Total other comprehensive income	**¥ (535)**	**$ (6,509)**

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

Year ended March 31, 2012

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

	Number of shares			
	Year ended March 31, 2011	Increase during the year	Decrease during the year	Year ended March 31, 2012
Shares issued:				
Common stock	**371,463,036**	**–**	**–**	**371,463,036**
Treasury stock:				
Common stock (Notes 1 and 2)	**299,234**	**322,733**	**403**	**621,564**

Notes 1: The increase in treasury stock — common stock of 4,960 was due to the acquisition of fractional shares of less than one unit and common stock of 317,773 was due to the repurchase of shares held by lost shareholders.

2: The decrease in treasury stock — common stock of 403 was due to sales of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 24, 2011
Type of shares: Common stock
Total amount of dividends: ¥2,226 million ($27,084 thousand)
Dividends per share: ¥6 ($0.073)
Cut-off date: March 31, 2011
Effective date: June 27, 2011

② Resolution: Meeting of Board of Directors held on November 7, 2011
Type of shares: Common stock
Total amount of dividends: ¥1,855 million ($22,570 thousand)
Dividends per share: ¥5 ($0.061)
Cut-off date: September 30, 2011
Effective date: December 5, 2011

(ii) Dividends of which the cut-off date was in the year ended March 31, 2012, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 26, 2012
Type of shares: Common stock
Total amount of dividends: ¥1,854 million ($22,557 thousand)
Dividends per share: ¥5 ($0.061)
Cut-off date: March 31, 2012
Effective date: June 27, 2012
Source of dividends: Retained earnings

Year ended March 31, 2011

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

	Number of shares			
	Year ended March 31, 2010	Increase during the year	Decrease during the year	Year ended March 31, 2011
Shares issued:				
Common stock	371,463,036	—	—	371,463,036
Treasury stock:				
Common stock (Notes 1 and 2).....	287,708	15,277	3,751	299,234

Notes 1: The increase in treasury stock — common stock of 15,277 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in treasury stock — common stock of 3,751 was due to sales of fractional shares of less than one unit.

(b) Dividends

(i) Dividends paid to shareholders

① Resolution: Annual general meeting of shareholders held on June 25, 2010
Type of shares: Common stock
Total amount of dividends: ¥2,227 million
Dividends per share: ¥6
Cut-off date: March 31, 2010
Effective date: June 28, 2010

② Resolution: Meeting of Board of Directors held on November 8, 2010
Type of shares: Common stock
Total amount of dividends: ¥2,227 million
Dividends per share: ¥6
Cut-off date: September 30, 2010
Effective date: December 6, 2010

(ii) Dividends of which the cut-off date was in the year ended March 31, 2011, but the effective date is in the following fiscal year
Resolution: Annual general meeting of shareholders held on June 24, 2011
Type of shares: Common stock
Total amount of dividends: ¥2,226 million
Dividends per share: ¥6
Cut-off date: March 31, 2011
Effective date: June 27, 2011
Source of dividends: Retained earnings

14. 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, 2012 and 2011 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Cash on hand and in banks in the consolidated balance sheet	**¥48,148**	¥41,187	**$585,813**
Investments with maturities of three months or less from the date of acquisition	**31**	44	**377**
Time deposits with maturities of more than three months	**(72)**	(116)	**(876)**
Cash and cash equivalents in the consolidated statement of cash flows	**¥48,107**	¥41,116	**$585,315**

(b) Significant transactions without cash flows

Assets and liabilities corresponding to finance lease transactions that have been recorded by the Company and its domestic consolidated subsidiaries at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Lease assets	**¥646**	¥590	**$7,860**
Lease obligations.....................	**675**	621	**8,213**

(c) Summary of the reduction in assets and liabilities resulting from the divestiture of shares in Joyo Engineering Co., Ltd. for the year ended March 31, 2012, loss on sale of shares and net disbursement

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥368**	**$4,477**
Noncurrent assets	**307**	**3,735**
Current liabilities	**(265)**	**(3,224)**
Noncurrent liabilities..................................	**(124)**	**(1,509)**
Loss on sale of shares	**(285)**	**(3,468)**
Sale value of Joyo Engineering Co., Ltd. ...	**1**	**12**
Cash and cash equivalents (Joyo Engineering Co., Ltd.)....................	**(118)**	**(1,436)**
Net payments for divestiture of Joyo Engineering Co., Ltd.	**¥117**	**$1,424**

15. Leases

Year ended March 31, 2012

Future minimum lease payments subsequent to March 31, 2012 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013	**¥ 2,819**	**$ 34,299**
2014 and thereafter	**7,373**	**89,707**
Total	**¥10,193**	**$124,018**

Year ended March 31, 2011

Future minimum lease payments subsequent to March 31, 2011 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen
2012	¥2,403
2013 and thereafter	7,145
Total	¥9,548

16. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") invest 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 risks 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 companies with which the Company has business relationships.

Trade payables — trade notes and accounts payable — have payment due dates within one year. Since 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 payable and bonds are used to raise funds mainly in connection with capital investments. The repayment dates of the long-term debts 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 the interest payments for long-term debt with 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 the fluctuation risk of interest payments for long-term debt with 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 (o).

(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 methods.

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 on 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, 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 18 Derivative Transactions 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, 2012 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, 2012

	Millions of Yen		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**¥ 48,148**	**¥ 48,148**	**¥ —**
Trade notes and accounts receivable	**46,520**	**46,515**	**(5)**
Securities:			
Other securities with maturities	**31**	**31**	**—**
Other securities	**24,087**	**24,087**	**—**
Total assets	**¥118,788**	**¥118,783**	**¥ (5)**
Liabilities			
Trade notes and accounts payable	**¥ 41,672**	**¥ 41,672**	**¥ —**
Short-term borrowings	**12,885**	**12,885**	**—**
Current portion of long-term debt	**13,670**	**13,679**	**9**
Bonds	**10,000**	**10,027**	**27**
Long-term debt	**23,865**	**24,068**	**203**
Total liabilities	**¥102,092**	**¥102,332**	**¥240**
Derivatives (*)	**¥ (100)**	**¥ (100)**	**—**

	Thousands of U.S. Dollars		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**$ 585,813**	**$ 585,813**	**$ —**
Trade notes and accounts receivable	**566,006**	**565,945**	**(61)**
Securities:			
Other securities with maturities	**377**	**377**	**—**
Other securities	**293,065**	**293,065**	**—**
Total assets	**$1,445,285**	**$1,445,224**	**$ (61)**
Liabilities			
Trade notes and accounts payable	**$ 507,020**	**$ 507,020**	**$ —**
Short-term borrowings	**156,771**	**156,771**	**—**
Current portion of long-term debt	**166,322**	**166,431**	**110**
Bonds	**121,669**	**121,998**	**329**
Long-term debt	**290,364**	**292,834**	**2,470**
Total liabilities	**$1,242,146**	**$1,245,066**	**$2,920**
Derivatives (*)	**$ (1,217)**	**$ (1,217)**	**—**

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

Year ended March 31, 2011

	Millions of Yen		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	¥ 41,187	¥ 41,187	¥ —
Trade notes and accounts receivable	45,197	45,189	(8)
Securities:			
Other securities with maturities	44	44	—
Other securities	25,977	25,977	—
Total assets	¥112,407	¥112,399	¥ (8)
Liabilities			
Trade notes and accounts payable	¥ 45,013	¥ 45,013	¥ —
Short-term borrowings	13,120	13,120	—
Current portion of long-term debt	635	636	1
Bonds	10,000	9,865	(134)
Long-term debt	37,535	37,515	(19)
Total liabilities	¥106,303	¥106,151	¥(151)
Derivatives (*)	¥ (171)	¥ (171)	—

(*) The value of assets and liabilities arising from derivatives is shown at net value, 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 deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables

These fair values are calculated by categories of the remaining periods of the receivables based on the present value using discount rates determined by the period to maturity and credit risk.

Securities

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

Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings

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

Current portion of long-term debt, bonds and long-term debt

These fair values are calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest. The current portion of long-term debt and long-term debt with variable interest rates are subject to the special treatment of interest rate swaps and is calculated by applying a discount rate, based on the assumed interest rate if a similar new debt is issued, to the total of the principal and interest including that of the interest rate swap.

Derivative Transactions

Please refer to Note 18, Derivative Transactions, of these notes to 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
	2012	2011	**2012**
Unlisted stocks	**¥1,967**	¥2,257	**$23,932**

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" in the preceding table.

(iii) Redemption schedule for receivables and securities with maturities at March 31, 2012 and 2011.

Year ended March 31, 2012

	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	**¥48,148**	**¥ —**	**—**
Trade notes and accounts receivable	**45,709**	**811**	**—**
Securities:			
Other securities with maturities	**31**	**—**	**—**
Total	**¥93,889**	**¥811**	**—**

	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	**$ 585,813**	**$ —**	**—**
Trade notes and accounts receivable	**556,138**	**9,867**	**—**
Securities:			
Other securities with maturities	**377**	**—**	**—**
Total	**$1,142,341**	**$9,867**	**—**

Year ended March 31, 2011

	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	¥41,187	¥ —	—
Trade notes and accounts receivable	44,358	839	—
Securities:			
Other securities with maturities	44	—	—
Total	¥85,590	¥839	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2012

	Millions of Yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**¥ —**	**¥13,670**	**¥1,520**
Due after 1 year through 2 years	**—**	**10,370**	**783**
Due after 2 years through 3 years	**—**	**2,550**	**474**
Due after 3 years through 4 years	**10,000**	**10,830**	**251**
Due after 4 years through 5 years	**—**	**115**	**109**
Due after 5 years	**—**	**—**	**48**

	Thousands of U.S. Dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**$ —**	**$166,322**	**$18,494**
Due after 1 year through 2 years	**—**	**126,171**	**9,527**
Due after 2 years through 3 years	**—**	**31,026**	**5,767**
Due after 3 years through 4 years	**121,669**	**131,768**	**3,054**
Due after 4 years through 5 years	**—**	**1,399**	**1,326**
Due after 5 years	**—**	**—**	**584**

Year ended March 31, 2011

	Millions of Yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	¥ —	¥ 635	¥1,800
Due after 1 year through 2 years	—	13,670	1,384
Due after 2 years through 3 years	—	10,370	645
Due after 3 years through 4 years	—	2,550	345
Due after 4 years through 5 years	10,000	10,830	145
Due after 5 years	—	115	74

17. Securities

(a) Held-to-maturity securities:

March 31, 2012

	Millions of Yen		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value not exceeding the carrying amount:			
Other	**¥31**	**¥31**	**—**
Total	**¥31**	**¥31**	**—**

	Thousands of U.S. Dollars		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value not exceeding the carrying amount:			
Other	**$377**	**$377**	**—**
Total	**$377**	**$377**	**—**

March 31, 2011

	Millions of Yen		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value not exceeding the carrying amount:			
Other	¥44	¥44	—
Total	¥44	¥44	—

(b) Other securities:

March 31, 2012

	Millions of Yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	**¥ 8,475**	**¥11,746**	**¥3,271**
Carrying amount not exceeding the acquisition cost:			
Stocks	**14,393**	**11,720**	**(2,673)**
Total	**¥22,869**	**¥23,466**	**¥ 597**

	Thousands of U.S. Dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	**$103,115**	**$142,913**	**$39,798**
Carrying amount not exceeding the acquisition cost:			
Stocks	**175,119**	**142,596**	**(32,522)**
Total	**$278,246**	**$285,509**	**$ 7,264**

March 31, 2011

	Millions of Yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	¥10,043	¥14,629	¥4,586
Carrying amount not exceeding the acquisition cost:			
Stocks	14,156	10,726	(3,430)
Total	¥24,199	¥25,356	¥1,156

When their fair values have declined by 50% or more, impairment losses are recorded on those securities. When their fair values have declined by 30% up to 50%, impairment losses are recorded on those securities on an individual basis to the values considered to be recoverable.

18. Derivative Transactions

(a) Derivatives not subject to hedge accounting

Year ended March 31, 2012
None applicable

Year ended March 31, 2011
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

Year ended March 31, 2012

			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	
	Sell:				
	U.S. dollars		**¥7,957**	**¥290**	**¥(200)**
	Euros		**275**	**66**	**(8)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		**¥2,697**	**¥ 84**	**¥ 69**
	Euros		**954**	**—**	**31**
	Sterling pound		**116**	**—**	**8**

			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	
	Sell:				
	U.S. dollars		**$96,812**	**$3,528**	**$(2,433)**
	Euros		**3,346**	**803**	**(97)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		**$32,814**	**$1,022**	**$ 840**
	Euros		**11,607**	**—**	**377**
	Sterling pound		**1,411**	**—**	**97**

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

Year ended March 31, 2011

			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	
	Sell:				
	U.S. dollars		¥ 3,641	¥197	¥151
	Euros		341	29	(14)
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		¥10,163	¥ 49	¥ (2)
	Euros		1,045	—	29
	Sterling pound		283	—	7

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

(ii) Interest-related transactions

Year ended March 31, 2012

Hedge accounting method	Type of derivative	Principal items hedged	Millions of Yen: Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Current portion of long-term borrowings Long-term borrowings	**¥23,000**	**¥10,000**	(*)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. Dollars: Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Current portion of long-term borrowings Long-term borrowings	**$279,839**	**$121,669**	(*)

(*) Since interest rate swap contracts accounted for by the special treatment for interest rate swaps are treated together with the long-term borrowings subject to hedging, the estimated fair value of such interest rate swap contracts is included in the estimated fair value of the corresponding long-term borrowings.

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

Year ended March 31, 2011

Hedge accounting method	Type of derivative	Principal items hedged	Millions of Yen: Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Current portion of long-term borrowings Long-term borrowings	¥23,180	¥23,000	(*)

(*) Since interest rate swap contracts accounted for by the special treatment for interest rate swaps are treated together with the long-term borrowings subject to hedging, the estimated fair value of such interest rate swap contracts is included in the estimated fair value of the corresponding long-term borrowings.

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

19. 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, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Retirement benefit obligation	**¥(26,300)**	¥(28,507)	**$(319,990)**
Plan assets at fair value	**14,381**	14,902	**174,973**
Unfunded retirement benefit obligation	**(11,918)**	(13,604)	**(145,005)**
Unrecognized actuarial loss	**4,351**	5,980	**52,938**
Unrecognized prior service cost	**414**	554	**5,037**
Net retirement benefit obligation	**(7,152)**	(7,069)	**(87,018)**
Accrued retirement benefits	**(9,695)**	(9,339)	**(117,958)**
Prepaid pension cost	**¥ 2,543**	¥ 2,270	**$ 30,941**

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥1,847**	¥1,759	**$22,472**
Interest cost	**312**	324	**3,796**
Expected return on plan assets	**(206)**	(213)	**(2,506)**
Amortization of actuarial loss	**1,152**	1,425	**14,016**
Amortization of prior service cost	**140**	140	**1,703**
Retirement benefit expenses	**¥3,246**	¥3,436	**$39,494**

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

	2012	2011
Discount rate	**1.50%**	1.50%
Expected rate of return on plan assets	**1.50%**	1.50%

20. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Accrued enterprise taxes	¥ 326	¥ 610	$ 3,966
Accrued bonuses	1,215	1,410	14,783
Unrealized gain on intercompany transactions	784	816	9,539
Accrued retirement benefits for employees	4,565	4,994	55,542
Accrued retirement benefits for directors and corporate auditors	111	131	1,351
Loss on revaluation of inventory items	1,521	748	18,506
Loss on revaluation of financial instruments	263	282	3,200
Impairment loss	56	138	681
Depreciation	971	1,158	11,814
Amortization of deferred assets	67	151	815
Provision for warranties for completed construction	576	693	7,008
Provision for loss on construction contracts	2,021	2,076	24,589
Less allowance for doubtful accounts	111	51	1,351
Asset retirement obligations	462	555	5,621
The percentage-of-completion method	99	727	1,205
Tax loss carry forwards	1,800	2,640	21,900
Deferred loss on hedges	93	21	1,132
Unrealized loss on investment securities	944	1,386	11,486
Other	278	246	3,382
Gross deferred tax assets	16,272	18,843	197,980
Valuation allowance	(2,661)	(3,747)	(32,376)
Total deferred tax assets	13,611	15,095	165,604
Deferred tax liabilities:			
Reserve for advanced depreciation	1,931	2,299	23,494
Reserve for special depreciation	1,999	2,360	24,322
Prepaid pension cost	900	919	10,950
Disposal cost with asset retirement obligations	297	349	3,614
Unrealized gain on investment securities	1,156	1,855	14,065
Deferred gain on hedges	55	91	669
Other	23	13	280
Total deferred tax liabilities	6,363	7,887	77,418
Net deferred tax assets	¥ 7,248	¥ 7,207	$ 88,186

The reconciliation between the effective tax rate reflected in the consolidated statement of income and the statutory tax rate for the year ended March 31, 2012 was as follows:

	2012
Statutory tax rate	40.5%
Effect of:	
Change in valuation allowance	(5.2)
Reduction of deferred tax assets due to changes of tax rates	2.6
Other	0.0
Effective tax rate	37.9%

The Company has omitted the reconciliation between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2011 because the difference between those rates was less than 5%.

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory corporate tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.5% to 37.8% for the temporary differences expected to be realized or settled in the fiscal years from April 1, 2012 to March 31, 2015 and from 40.5% to 35.4% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. Due to this amendment, the net deferred tax assets decreased by ¥505 million ($6,144 thousand), deferred income tax increased by ¥533 million ($6,485 thousand), unrealized holding gain (loss) on securities increased by ¥30 million ($365 thousand), and unrealized gain (loss) from hedging instruments decreased by ¥2 million ($24 thousand).

21. Business combinations

On July 1, 2011, JSW Machine Center Co., Ltd. merged with Nikko Machinery Co., Ltd., and on October 1, 2011 Nikko Techno Co., Ltd. merged with J·Tech Co., Ltd.

Transactions under common control

(a) Information on companies in business combination

i) Combination between JSW Machine Center Co., Ltd. and Nikko Machinery Co., Ltd.

① Name and business of companies

Name of surviving company: JSW Machine Center Co., Ltd

Business: Machine processing and finish assembling of steel and energy products

Manufacturing, remodeling and repair of industrial machinery products

Name of absorbed company: Nikko Machinery Co., Ltd

Business: Machine processing and assembling of steel and energy products

Maintenance of processing machinery

② Date of business combination

July 1, 2011

③ Legal form of business combination

Absorption-type merger with JSW Machine Center Co., Ltd. as the surviving company

④ Name of company after business combination
JSW Machine Center Co., Ltd.
⑤ Purpose and outline of transactions
The Company intends to reorganize the administrative structure and improve business efficiency. In addition, the Company plans to enhance its business base.

ii) Combination between Nikko Techno Co., Ltd. and J·Tech Co., Ltd.

① Name and business of companies
Name of surviving company: Nikko Techno Co., Ltd.
Business: Machine processing, finishing turning, assembling of iron, nonferrous metals and special alloys
Manufacturing and sales of processed products
Name of absorbed company: J·Tech Co., Ltd.
Business: Processing of machinery parts, plate working, assembling work and maintenance
② Date of business combination
October 1, 2011
③ Legal form of business combination
Absorption-type merger with Nikko Techno Co., Ltd. as the surviving company
④ Name of company after business combination
Nikko Techno Co., Ltd.
⑤ Purpose and outline of transactions
The Company intends to construct an efficient and rational operating structure. In addition, the Company plans to enhance productivity and profitability, the effective use of human resources and support a responsive organization.

(b) Outline of the accounting treatment
The Company accounted for the transactions as transactions under common control based on the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No. 21 issued on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on December 26, 2008).

22. Asset Retirement Obligations

The following table presents the changes in asset retirement obligations for the years ended March 31, 2012 and 2011:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Balance at beginning of year	**¥1,371**	¥1,338	**$16,681**
Liabilities incurred due to the acquisition of property, plant and equipment	**—**	14	**—**
Accretion expense	**19**	18	**231**
Liabilities settled	**(78)**	—	**(949)**
Other	**(12)**	—	**(146)**
Balance at end of year	**¥1,299**	¥1,371	**$15,805**

23. Investment and Rental Properties

The Company has omitted the disclosure of Investment and Rental Properties due to immateriality for the years ended March 31, 2012 and 2011.

24. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Steel and Energy Products segment includes steel castings and forgings, steel plates, pressure vessels and steel structures. The Industrial Machinery Products segment includes injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products. The Real Estate and Other Businesses segment includes regional development.

	Millions of Yen					
	Reportable segments					
Year ended March 31, 2012	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and eliminations	Consolidated
Sales and operating income:						
Sales to third parties	**¥105,001**	**¥113,959**	**¥ 2,407**	**¥221,368**	**¥ —**	**¥221,368**
Intra-segment sales and transfers	**4,285**	**3,335**	**2,983**	**10,603**	**(10,603)**	**—**
Total sales	**109,286**	**117,294**	**5,390**	**231,972**	**(10,603)**	**221,368**
Operating income	**¥ 11,517**	**¥ 11,542**	**¥ 776**	**¥ 23,837**	**¥ 74**	**¥ 23,911**
Assets, depreciation, and capital expenditures:						
Total assets	**¥147,283**	**¥ 93,133**	**¥13,540**	**¥253,956**	**¥71,696**	**¥325,653**
Depreciation and amortization	**16,083**	**2,706**	**301**	**19,091**	**161**	**19,252**
Capital expenditures	**6,238**	**1,896**	**78**	**8,213**	**42**	**8,256**

Year ended March 31, 2012	Thousands of U.S. Dollars					
	Reportable segments					
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and eliminations	Consolidated
Sales and operating income:						
Sales to third parties	**$1,277,540**	**$1,386,531**	**$ 29,286**	**$2,693,369**	**$ —**	**$2,693,369**
Intra-segment sales and transfers	**52,135**	**40,577**	**36,294**	**129,006**	**(129,006)**	**—**
Total sales	**1,329,675**	**1,427,108**	**65,580**	**2,822,387**	**(129,006)**	**2,693,369**
Operating income	**$ 140,127**	**$ 140,431**	**$ 9,442**	**$ 290,023**	**$ 900**	**$ 290,923**
Assets, depreciation, and capital expenditures:						
Total assets	**$1,791,982**	**$1,133,143**	**$164,740**	**$3,089,865**	**$872,320**	**$3,962,197**
Depreciation and amortization	**195,681**	**32,924**	**3,662**	**232,279**	**1,959**	**234,238**
Capital expenditures	**75,897**	**23,068**	**949**	**99,927**	**511**	**100,450**

Notes 1: Adjustments and eliminations for segment profit of ¥74 million ($900 thousand) include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.

2: Adjustments and eliminations for segment assets of ¥71,696 million ($872,320 thousand) include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.

3: Adjustments and eliminations for depreciation and amortization of ¥161 million ($1,959 thousand) include depreciation and amortization for corporate assets.

Adjustments and eliminations for capital expenditures of ¥42 million ($511 thousand) include capital expenditures for corporate assets.

Year ended March 31, 2011	Millions of Yen					
	Reportable segments					
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥112,915	¥ 97,664	¥ 2,349	¥212,929	¥ —	¥212,929
Intra-segment sales and transfers	2,853	5,331	3,075	11,260	(11,260)	—
Total sales	115,769	102,996	5,425	224,190	(11,260)	212,929
Operating income	¥ 25,059	¥ 3,253	¥ 715	¥ 29,027	¥ (532)	¥ 28,495
Assets, depreciation, and capital expenditures:						
Total assets	¥167,573	¥ 89,477	¥13,610	¥270,661	¥68,602	¥339,263
Depreciation and amortization	16,492	3,042	301	19,837	165	20,003
Capital expenditures	25,217	1,309	73	26,600	121	26,722

Notes 1: Adjustments and eliminations for segment profit of ¥532 million include elimination of inter-segment profit on inventories and corporate general administration expense which are not allocable to a reportable segment.

2: Adjustments and eliminations for segment assets of ¥68,602 million include offset of inter-segment debt and credit, and corporate assets which are not allocable to a reportable segment.

3: Adjustments and eliminations for depreciation and amortization of ¥165 million include depreciation and amortization for corporate assets.

Adjustments and eliminations for capital expenditures of ¥121 million include capital expenditures for corporate assets.

(a) Product and service information

Year ended March 31, 2012	Millions of Yen			
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	**¥105,001**	**¥113,959**	**¥2,407**	**¥221,368**

Year ended March 31, 2012	Thousands of U.S. Dollars			
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	**$1,277,540**	**$1,386,531**	**$29,286**	**$2,693,369**

Year ended March 31, 2011	Millions of Yen			
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	¥112,915	¥97,664	¥2,349	¥212,929

(b) Geographical information

(i) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Japan	**¥111,156**	¥ 99,070	**$1,352,427**
China	**32,038**	29,836	**389,804**
Others	**78,173**	84,022	**951,125**
Consolidated	**¥221,368**	¥212,929	**$2,693,369**

Note: Net sales information above is based on customer location.

(ii) Tangible assets
The Company has omitted the disclosure of tangible assets by country or region as of March 31, 2012 and 2011 because the amount of tangible assets in Japan accounted for more than 90% of the carrying amount in the Consolidated Balance Sheet.

(c) Significant customer information
The Company has omitted the disclosure of significant customer information for the years ended March 31, 2012 and 2011 because no individual customer accounted for more than 10% of net sales in the Consolidated Statement of Income.

(d) Information on loss on impairment of fixed assets
Impairment loss on fixed assets by reportable segment for the years ended March 31, 2012 and 2011 are summarized as follows:
Year ended March 31, 2012
None applicable

Year ended March 31, 2011

	Millions of Yen				
Year ended March 31, 2011	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Impairment loss	¥0	¥101	—	¥95	¥197

(e) Amortization and balance of goodwill
The following table presents the amortization and balance of goodwill as of and for the year ended March 31, 2012 and 2011 by reportable segment:

	Millions of Yen				
Year ended March 31, 2012	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**¥64**	**—**	**—**	**¥64**
Balance as of March 31	**—**	**—**	**—**	**—**	**—**

	Thousands of U.S. Dollars				
Year ended March 31, 2012	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**$779**	**—**	**—**	**$779**
Balance as of March 31	**—**	**—**	**—**	**—**	**—**

	Millions of Yen				
Year ended March 31, 2011	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	—	¥90	—	—	¥90
Balance as of March 31	—	64	—	—	64

The following table presents the amortization and balance of negative goodwill arising from business combinations on or prior to March 31, 2010 as of and for the years ended March 31, 2012 and 2011 by reportable segment:

	Millions of Yen				
Year ended March 31, 2012	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**¥ 71**	**—**	**—**	**¥ 71**
Balance as of March 31	**—**	**214**	**—**	**—**	**214**

	Thousands of U.S. Dollars				
Year ended March 31, 2012	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**$ 864**	**—**	**—**	**$ 864**
Balance as of March 31	**—**	**2,604**	**—**	**—**	**2,604**

	Millions of Yen				
Year ended March 31, 2011	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	—	¥ 71	—	—	¥ 71
Balance as of March 31	—	286	—	—	286

(f) Information on gain on negative goodwill
Year ended March 31, 2012
None applicable

Year ended March 31, 2011
None applicable

25. 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.

26. 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 year end. Amounts per share at March 31, 2012 and 2011 and for the years then ended were as follows:

	Yen		U.S. Dollars
	2012	2011	**2012**
Net income	**¥ 33.93**	¥ 44.54	**$0.41**
Net assets	**344.28**	322.98	**4.19**

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of The Japan Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Japan Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young
ShinNihon LLC

June 26, 2012
Tokyo, Japan