Annual Report 2013

for the year ended March 31, 2013

JSW

THE JAPAN STEEL WORKS, LTD.

Profile

In 1907, the Japanese government launched a joint venture for the purpose of domestic weapons production in Muroran, Hokkaido – later to become a major steel manufacturing center – consisting of two British firms (W.G. Armstrong and Vickers) and one Japanese company. That was the birth of the Japan Steel Works, Ltd. (JSW)

After World War II, the company turned its sophisticated technologies and considerable experience to meeting peacetime needs. Continuing to produce high-quality steel, it developed machinery making use of this steel and endeavored to open up new business fields. In addition to heavy and chemical industries such as electric power, steel, shipbuilding, and petrochemicals, the company broadened into areas from automobiles to electrical machinery and information equipment, earning a worldwide reputation as an integrated producer of steel materials and machinery.

Today, having grown into a comprehensive materials provider and manufacturer of mechatronics products, JSW is meeting society's needs at the forefront. In the steel and energy products business, we are serving the needs of the energy industry in areas such as electrical power generation, oil refining, natural gas, and wind power generation. In the industrial machinery products business, we supply equipment for manufacturing and processing plastic materials, along with a diverse range of products in areas from information technology to defense.

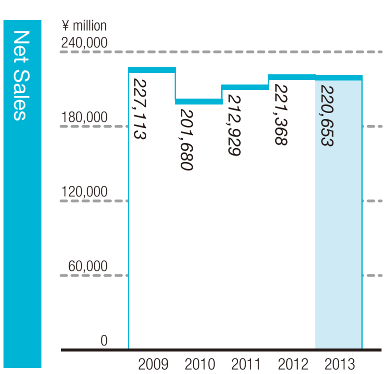
Contents

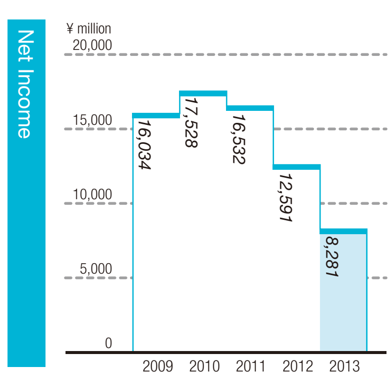
Financial Highlights (Consolidated)

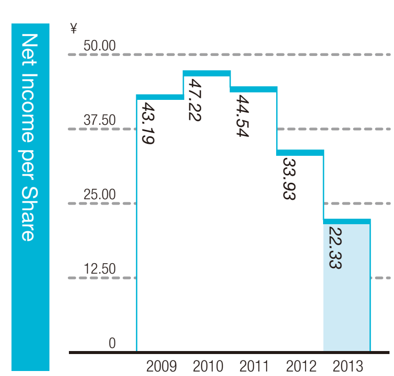
THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES   Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	**2013**
For the year:				
Net sales	**¥220,653**	¥221,368	¥212,929	**$2,346,124**
Operating income	**16,680**	23,911	28,495	**177,352**
Net income	**8,281**	12,591	16,532	**88,049**
At year-end:				
Total assets	**303,970**	325,653	339,263	**3,232,004**
Total net assets	**134,368**	128,613	120,820	**1,428,687**
Ratios:				
ROE	**6.3%**	10.2%	14.4%	
Equity ratio	**43.8%**	39.2%	35.3%	
Amounts per share (yen and U.S. dollars):				
Net income	**¥22.33**	¥33.93	¥44.54	**$0.24**
Cash dividends applicable to the year	**10.00**	10.00	12.00	**0.11**

Note: Amounts in U.S. dollars are presented solely for convenience and based on the rate of ¥94.05 = US$1.00, the rate of exchange on March 29, 2013.







Message from the President

We will steadily implement the measures described in our medium-term management plan (JGP2014) and work to recover orders.

Ikuo Sato
Representative Director & President

Overview of FY2012

■ Business performance

Our business environment in the fiscal period under review reflected the uncertain conditions in the global economy as a whole, which was affected by the sluggish performance of the European economy due to the austerity measures implemented by various European governments to try and address their debt crisis and also by the slowdown in economic growth in emerging countries such as China and India.

Meanwhile, conditions in the Japanese economy continued to be extremely severe as a result of the slowdown in the global economy and the ongoing appreciation of the yen. However, supported by expectations for the economic policies of the new government that was inaugurated at the end of 2012, toward the end of the term a correction of the strong yen and an upward trend in share prices were seen.

Amid these conditions, at the JSW Group we have drawn up a medium-term management plan, under the name of JGP2014, covering three-year period from April 2012 to March 2015. Our twin goals under this plan are to become "the No.1 global *monozukuri* (manufacturing) corporate group" and "a corporate group with a stable earnings structure and strong financial position." To achieve these goals, we are implementing as our basic management policy the following business activities; "1. Grow our products into the global market leaders," "2. Expand business operations into growth markets and growth fields," “3. Create global network of *monozukuri* alliances,” and “4. Strengthen business base.” In particular, despite having to battle against the impact of the strong yen and the slowdown in the global economy, in our Industrial Machinery Products Business we have focused our energies into further differentiating our technologies from those of our competitors and into providing products with even more value added and as a result, we were able to achieve our highest ever operating income by segment.

On the other hand, an assumption in our medium-term management plan for our Steel and Energy Products Business was that demand for our mainstay electric-power and nuclear-power products would bottom out and then start to recover in the second half of the fiscal year. However, various governments around the world decided to review their electric-power and nuclear-power policies, which delayed this recovery process and as a result, the point that demand will bottom out and start to recover has been significantly postponed. To compensate for this development, we concentrated our energies into technological proposals for clad steel plates and pipes, cost reductions, and into increasing orders for our existing products. Nevertheless, these efforts were not enough to offset the extremely tough operating conditions in this segment and it recorded an operating loss by segment.

While Industrial Machinery Products Business achieved growth in both sales and income, these gains were cancelled out by the declines in the Steel and Energy Products Business and as a result, overall sales were practically unchanged and income decreased. Similarly, Industrial Machinery Products Business recorded an increase in orders received, but this was not enough to compensate for the large decline in orders received in the Steel and Energy Products Business, and taken as a whole orders received decreased.

As a result of the above, in FY2012 the JSW Group recorded net sales of ¥220,653 million yen (US$2,346 million, down 0.3% year on year), operating income of ¥16,680 million (US$177 million, down 30.2%), ordinary income of ¥17,108 million (US$181 million, down 26.8%), and net income of ¥8,281 million (US$88 million, down 34.2%).

■ Providing a year-end dividend of ¥5

We place great importance on providing our shareholders with stable and sustained dividend payments and follow a basic policy of paying and increasing dividends based on earnings in the corresponding fiscal period. We also remain committed to bolstering our internal reserves in order to fund the capital expenditure on productivity improvement and technological development required to ensure our long-term and stable business operations, as well as to strengthen our financial position.

Based on these considerations, we have decided to pay an annual dividend of ¥10 per share for the fiscal year under review and as the interim dividend was ¥5, the year-end dividend was ¥5.

For the next fiscal period, we forecast a full year dividend payment of ¥5, to be paid as an interim dividend of ¥2.5 and a year-end dividend of ¥2.5.

Forecasts for fiscal 2013

The global economy is expected to maintain its moderate recovery due to the monetary-easing measures being implemented by various governments, but there remain many problems yet to be dealt with, including the danger that the debt crisis in Europe will reignite and concerns about an economic slowdown and stagnation in emerging countries. Also, the Japanese economy is expected to gradually recover against the backdrop of the improvements to the export environment thanks to the correction of the strong yen and the effects of the Government's economic and monetary policies, but we cannot ignore the risk that this recovery will be derailed by a global economic downturn and the direction that the Japanese economy is headed in remains unclear.

In this kind of environment, sales and income forecasts for the JSW Group in fiscal 2013 are as follows. Following the decline in orders in fiscal 2012, we anticipate a decline in sales and slumping operations in the Steel and Energy Products Business, while we also expect that the changes made to the product mix in the Industrial Machinery Products Business will have an effect on profitability; consequently, the overall forecasts reflect these extremely tough conditions.

Elsewhere, for our forecasts for orders in fiscal 2013, the slump in demand for electric-power and nuclear-power products, our mainstay products in our Steel and Energy Products Business, is expected to bottom out and then start to recover in fiscal 2013. We are also anticipating that our businesses, including the Industrial Machinery Products Business, will benefit from the correction of the strong yen and the recovery of our relative competitiveness and by continuing to steadily implement the measures set out in our medium-term management plan (JGP2014), we expect to recover orders.

June 2013

Ikuo Sato
Representative Director & President

Overview of and Progress Made in the Medium-Term Management Plan (JGP2014)

Overview of the JGP2014 medium-term management plan

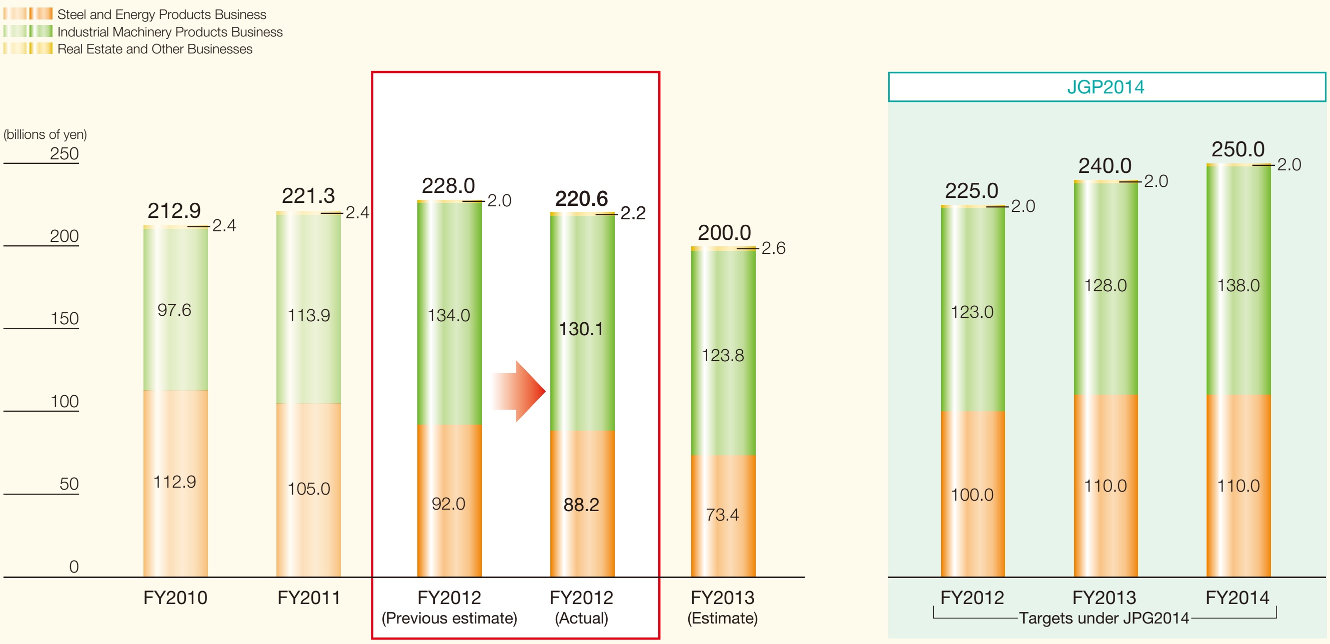
We aim to regain the growth path by building the Group's products into the leading presence in the global market, and to marshal the total strength of all JSW Group companies – including new business alliances – to expand our business operations into new growth markets and business fields.

1. Our vision for JSW

The vision we describe in JGP2014 for the JSW Group of the future is of becoming the No.1 global *monozukuri* (manufacturing) corporate group. Specifically, we will provide our customers with the world's best products and become a group fully capable of competing in the global marketplace. In addition, our goal is to be a corporate group with a stable earnings structure and strong financial position.

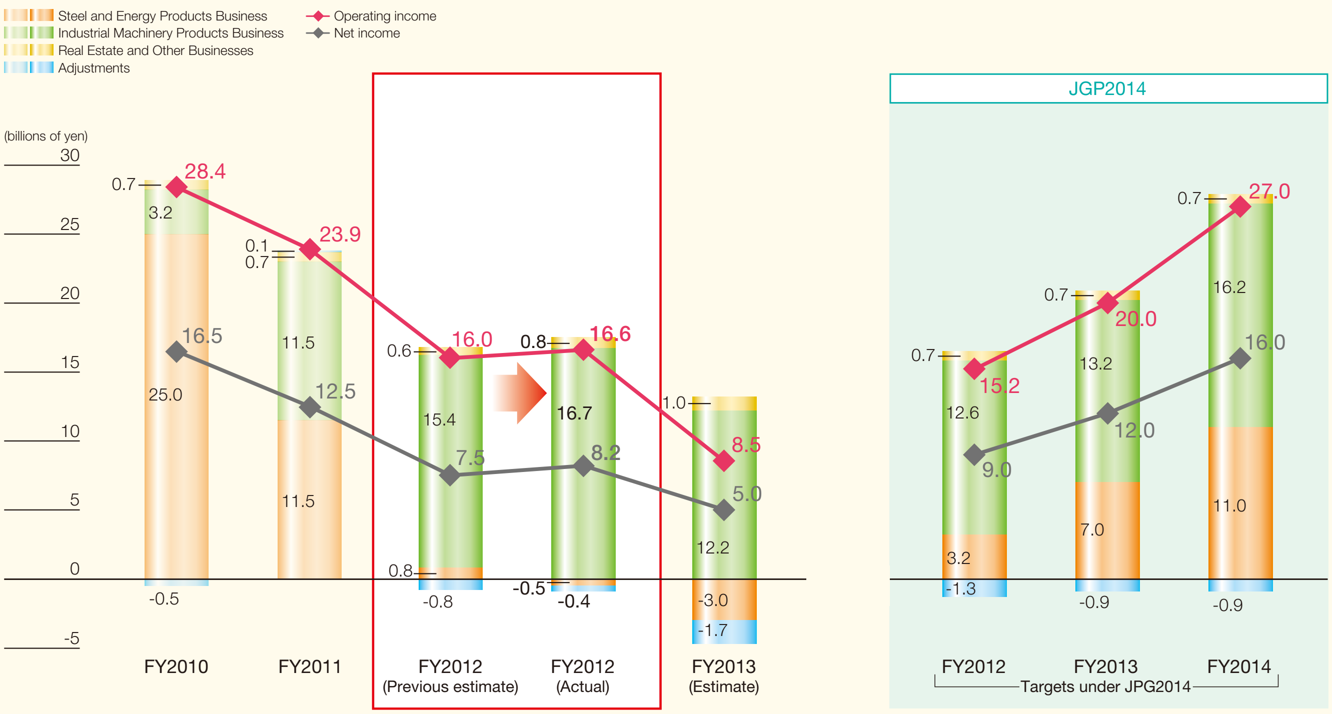
2. Progress made up to FY2012

Net Sales



We anticipate a decline in sales in fiscal 2013 due to the impact of the sluggish orders in fiscal 2012, but we are aiming to recover from this and achieve an increase in sales in fiscal 2014.

Operating Income and Net Income



We are currently working to secure orders in fiscal 2013 toward increasing income from fiscal 2014.

3. Measures to achieve an increase in both sales and income in FY2014

Basic management policy for JGP2014

- Grow our products into the global market leaders
- Expand business operations into growth markets and growth fields
- Create global network of *monozukuri* alliances
- Strengthen business base

Steel and Energy Products Business

1. Expand orders

▷ Ascertain the point that the slumping demand in the electric power and nuclear power fields will change direction

▷ Strengthen product competitiveness (QCD)

▷ Promote product development (in new fields and new materials)

2. Strengthen our corporate structure

▷ Improve fixed costs
- Optimize fixed assets (retire equipment)
- Mobilize personnel (transfer personnel to the Industrial Machinery Products Business)

Industrial Machinery Products Business

1. Expand orders

▷ Aim to develop globally by leveraging our strength as a comprehensive plastics machinery manufacturer
▷ Strengthen product competitiveness (QCD)
▷ Expand our business scope through receiving entire systems and full line-up orders

2. Increase productivity and production capacity

- Improve productivity at plants, enhance collaboration within the JSW Group
- Mobilize personnel (reinforce personnel by transfers from the Steel and Energy Products Business)

By steadily implementing the above-described measures, we expect to increase order volume.

Steel and Energy Products Business	+¥9,700 million
Industrial Machinery Products Business	+¥15,400 million
FY2013 order (Estimate)	¥210,000 million

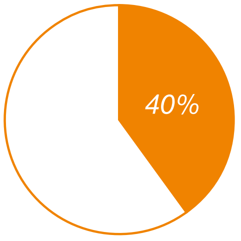
Also, as we are able to lower the break-even point, we expect to record an increase in both sales and income in fiscal 2014.

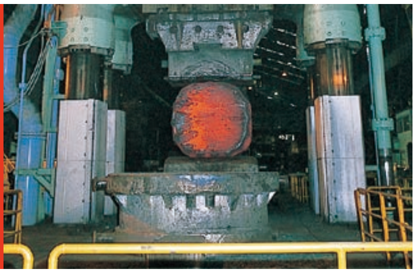
Our Business Domains

JSW and the JSW Group carry out a wide range of business activities in a variety of fields. In the Steel and Energy Products Business, these activities include the production and sale of steel castings and forgings, steel plates and structures, as well as wind turbine system equipment. In the Industrial Machinery Products Business, these activities include the production and sale of plastics machinery and other machinery. In addition, as part of our program of business diversification, we operate the Real Estate and Other Businesses.

Steel and Energy Products Business

Sales Composition





Steel Products

At the Muroran Plant, which manufactures 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 cast and forged steel products are used in the electric power generation industry (fossil fuel, hydroelectric and nuclear) as well as for steel-making, oil refinery and industrial machinery and facilities. In addition to being a leading global supplier of numerous extra-large cast and forged steel products, our plant produce a wide range of high-quality small- and medium-sized steel cast and forged products.

Business Lines

Production and sale of products for power generation, steel-making, chemical machinery, nuclear power-related equipment, die materials, and other areas

Steel Plates and Structures

At the Muroran Plant, which has 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. All of our products are used in a wide range of industrial applications in Japan and overseas, giving this business a unique profile.

In addition, the Muroran Plant integrates the various forged steel products it manufactures and leverages the Company's state-of-the-art welding technologies and facilities to produce very large welded structures, such as pressure vessels for oil refineries and petrochemical plants, in an integrated process extending from raw materials to finished products. As a result, we are meeting demand both in Japan and overseas.

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, clad steel pipes, extra-thick steel plates, and other areas

Wind Turbines

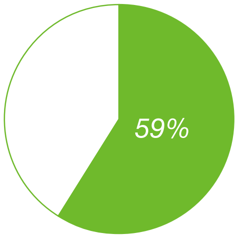
This sector deals with the entire wind turbine power generation system business, designing its own towers, blades and equipment required by wind power generator businesses. Among these businesses, higher power generation efficiency and reliability as well as ease of maintenance have been achieved for power generators (J82) through the use of permanent magnet synchronous generators and the elimination of step-up gears.

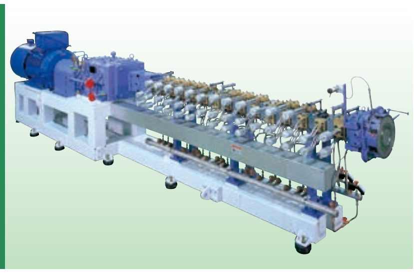
Business Lines

Production, sale and maintenance of wind turbine system equipment

Industrial Machinery Products Business

Sales Composition





Plastics Machinery

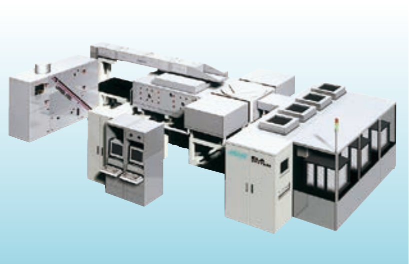
At the Hiroshima Plant, we produce injection molding machines, pelletizers, twin-screw extruders, and film and sheet manufacturing equipment. At the Yokohama Plant, we produce blow molding machines and spinning extruders.

In injection molding machines, we offer a lineup of electrically driven injection molding machines, all of which feature both improved productivity and energy-saving standards along with enhanced basic performance and molding precision.

To respond to diversifying needs in these product markets, we have established a Technology Development Center within the Hiroshima Plant 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 plastic manufacturing to processing machinery.

Business Lines

Production and sale of plastic injection molding machines, plastic production and processing machinery (including pelletizers, compound extruders, film and sheet manufacturing equipment, etc.) and blow-molding machines



Other Machinery

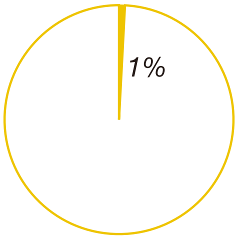
Supported by a proprietary technologies and facilities at the Hiroshima, Yokohama and Muroran plants, JSW produces industrial machinery for a wide range of demand, including defense equipment, power plant equipment, magnesium alloy injection molding machines, aluminum die-casting machines, laser annealing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

Business Lines

Production, sale, and maintenance of fluid machinery, hydraulic machines, machinery for the production of electronic components and displays (laser annealing systems, etc.), magnesium alloy injection molding machines, aluminum die-casting machines, tightlock couplers and dampers, and defense equipment

Real Estate and Other Businesses

Sales Composition



Real Estate Management, etc.

The real estate management business focuses on undertaking the stable management of rental buildings and utilizing idle Group-owned assets. Our real estate business is divided into three areas: office buildings, housing and commercial buildings.

Business Lines

Rental of property, development/subdivision for sale, business support, and indirect functions services

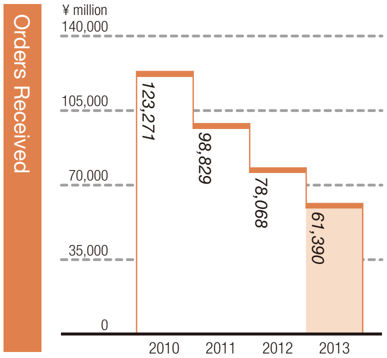
Steel and Energy Products Business

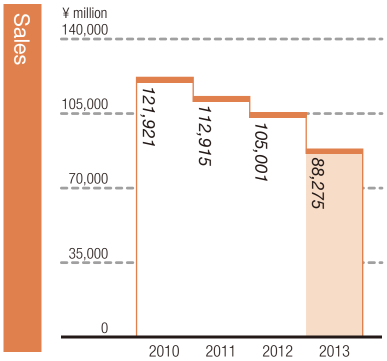
Steel Products Sector/Steel Plates and Structures Sector/ Wind Turbines Sector

Shell Flange Used for Pressure Chamber for Nuclear Power Plant

Clad Steel Plate

J82 Wind Turbine System





Performance in fiscal 2012

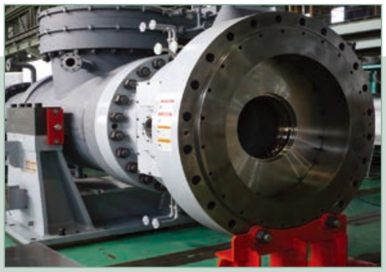
Orders came to ¥61,390 million (US$652 million), a year-on-year decrease of 21.4%. Despite an increase in wind turbine system equipment, orders for products used in the electrical power generation industry (including nuclear power) decreased primarily due to a delayed recovery in demand accompanying a slowdown in emerging economies as well as lagging advancements in electrical and nuclear power generation policies. Sluggish demand for pressure vessels used in oil refineries also drove down orders.

Sales came to ¥88,275 million (US$938 million), a year-on-year decrease of 15.9%, due to lower sales of products for the electrical power generation industry (including nuclear power), pressure vessels for oil refineries and wind turbine system equipment.

Operating loss amounted to ¥534 million (US$5 million), compared with operating income of ¥11,517 million in fiscal 2011. Despite implementing a range of measures to cut variable and fixed costs, we were unable to counteract the adverse effects of a number of factors, including a lower capacity utilization rate due to the decrease in sales and orders received, and the yen's high exchange rate, which caused an intensification of export competition and deterioration in the Company's profitability.

Industrial Machinery Products Business

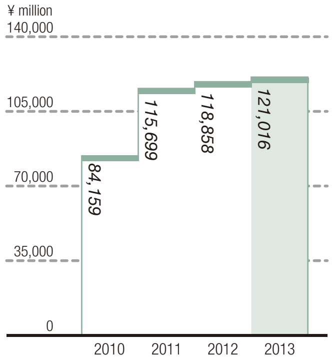
Plastics Machinery Sector/Other Machinery Sector


Polyolefin Extruder/Pelletizer

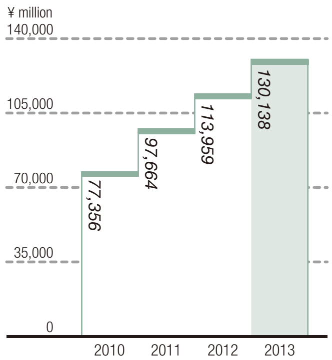

Large-Size All-Electric Injection Molding Machine (24600kN)


Magnesium Alloy Injection Molding Machine (280t)

Orders Received



Sales



Performance in fiscal 2012

Orders rose 1.8% year on year to ¥121,016 million (US$1,286 million). This was due to a rise in orders of laser annealing equipment used to manufacture liquid crystal displays mainly for smartphones and firm orders for plastic injection molding machines. This result occurred in spite of a decline in orders for various types of plastic production and processing machinery, notably film-forming equipment.

Sales increased 14.2% to ¥130,138 million (US$1,383 million). This is attributable to robust sales of plastic production and processing machinery, notably film-forming equipment, laser annealing equipment, and plastic injection molding machines.

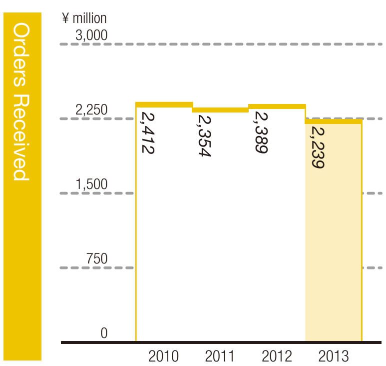
Operating income increased 45.4% to ¥16,784 million (US$178 million). This is attributable to increased sales, thorough cost-cutting measures, and to steps taken to enhance JSW's lineup of high-value-added products born out of a level of technological expertise that differentiates the Company from its rivals amid increasingly fierce price competition caused by the prolonged strength of the yen.

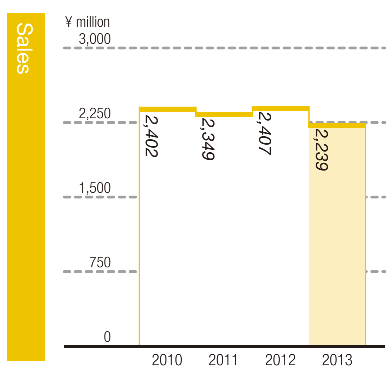
Real Estate and Other Businesses

Real Estate Management, etc.

Business Office Development
(Fuchu Intelligent Park)

JSW Apartment Building Development
(Fuchu, Tokyo)





Performance in fiscal 2012

Orders totaled ¥2,239 million (US$23 million), sales came to ¥2,239 million (US$23 million), and operating income amounted to ¥840 million (US$8 million).

Capital Expenditures

Capital expenditures for the reporting period totaled ¥5,570 million (US$59 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities.

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

In the Steel and Energy Products Business, capital expenditures totaled ¥2,575 million (US$27 million). This expenditure consisted largely of investments in the construction of a special melting shop to replace aging ones at the Muroran Plant.

In the Industrial Machinery Products Business, capital expenditures came to ¥2,860 million (US$30 million), primarily as a result of investments in upgrading of machine processing facilities at the Hiroshima Plant.

In the Real Estate and Other Businesses, capital expenditures consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥73 million (US$0.7 million).

Companywide capital expenditures unallocable to individual segments came to ¥60 million (US$0.6 million).

Research and Development


Muroran Research Laboratory


Hiroshima Research Laboratory


Research & Development Center (Yokohama)

Research and development activities were almost entirely funded by the Company (The Japan Steel Works, Ltd.) during fiscal 2012. Combined spending on research and development for the Steel and Energy Products Business and the Industrial Machinery Products Business in fiscal 2012 amounted to ¥4,054 million (US$43 million).

As a materials and mechatronics company, we strive to develop new products and production techniques using our own technology, while also actively promoting widespread technical alliances and joint development in an effort to put new products and technologies into effect as quickly as possible.

In terms of the direction of research and development, our Research and 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 in new business fields based on our core and differentiated technologies.

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

Our basic research and development policy is as follows

1. We promote 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. In addition, we pursue increased collaboration between the Research and Development Headquarters and our business divisions. Accordingly, we aim to develop our existing business by focusing on expanding and upgrading our core technologies.
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 No.1 products while 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 the investment of business resources in these types of machinery 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 and Energy Products Business

In terms of the development of steel products centered on materials, we have been carrying out materials development in such areas as clad steel pipes for natural gas transportation, large steel castings and forgings and 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. 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.

For fiscal 2012, spending on steel and energy products' research and development totaled ¥1,567 million (US$16 million).

▷▷▷ Industrial Machinery Products Business

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, tightlock couplers and dampers tailored to European specifications, high-precision molding technology for plastic extruders and injection molding machines, and highly functional micro-nano melt transcription molding process equipment. We have also been developing highly functional and higher performance compressors and equipment for making film, as well as 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.

Research and development expenses for the fiscal year under review came to ¥2,486 million (US$26 million).

Corporate Governance

Basic Stance on Corporate Governance

At JSW, we believe we must earn the trust of all our stakeholders, including our shareholders, clients 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 strive to facilitate 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 eight directors (one of whom is an outside director) and four statutory auditors (hereafter, "corporate auditors"), of whom two are outside auditors.

The term of office of directors is one year, and we have adopted the corporate officer system and separated the decision-making and oversight functions from the executive functions performed by the corporate officers. In this way, we have taken steps to speed up management decision-making and enhance the performance of both oversight and executive functions.

In principle, the Board of Directors' meeting is convened once a month. At the meeting, decisions and reports are made on matters of importance to the management of the Company, including basic management policies and matters stipulated by legal statute. Board of Directors' meetings are also attended by senior executive officers and those of higher rank, and are positioned as an oversight body with respect to the performance of their duties by the directors and corporate officers.

In addition, an Executive Board composed of four representative directors and other directors designated by the President meets once each week, with one outside director and one corporate auditor also in attendance (corporate auditor chosen by rotation), to discuss and make decisions on matters of management importance and other matters of importance to the performance of their duties by the directors and corporate officers, as well as to discuss, report, and monitor matters relating to overall management of the Company.

In addition to these bodies, the Management Council, consisting of directors, corporate auditors, the heads of operating divisions, plant general managers and managers at corporate headquarters, and other persons with executive responsibility, convenes once a month in principle. 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 and is reflected in their decisions and that risk management and compliance are rigorously observed.

The Board of Corporate Auditors consists of four corporate auditors, of which two are outside corporate auditors with one serving full-time. The Company's 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 the Company's plants and key offices and to major Group subsidiaries once during each half of the fiscal year, as a general rule. Meanwhile, they receive important reports from respective divisions when needed and exchange views with directors and key employees. Based on these efforts, they express their views to management from an objective and neutral point of view, and exercise strict oversight with regard to the execution of Company directors' duties.

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, in addition to the Regulations Regarding the Promotion of Internal Control Activities (one of the Company's internal regulations). 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 highlight the progress we have 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 on an ad hoc basis, 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 in-house rules, but instead views compliance in the broader context of general social responsibilities and upholds a wide variety of rules and regulations. The key to success for compliance activities lies in having directors and corporate officers take the initiative in setting an example and practicing truthfulness, while raising employee awareness on compliance issues through education and training.

JSW has established a department responsible for internal audits to ensure that the Company's overall operations observe all laws and regulations, as well as in-house rules. In addition to periodic audits, this department conducts spot audits, as deemed necessary. The results of these audits are reported to the president and relevant parties including, as appropriate, the Board of Directors, the Executive Board, the Management Council and the Corporate Auditors.

We have also created a system comprising internal and external routes for reporting and discussing compliance violations when discovered, which guarantees anonymity and protection from reprisal.

The Company has clarified in its Corporate Code of Conduct its policy of strict opposition to the activities of criminal organizations or individuals and it takes firm action to eliminate these anti-social forces through the establishment of a single dedicated office for the communication of relevant information and the management of countermeasures.

3. Safeguarding and management of information

The Company appoints a director or corporate officer to the task of ensuring the safeguarding and management of information. In accordance with rules and regulations governing the management of documents and information, the Company stores and manages important information related to the execution of directors' and corporate officers' duties including the minutes of important meetings and written requests for management decision approval (*ringisho*), and other important documents as written documents or as electronic records held for safekeeping.

Further, directors and corporate auditors are able to access and view or copy this information as needed.

The Company also discloses financial and important management information in a timely and appropriate manner.

4. Risk management

At JSW, directors, corporate officers and employees who concurrently serve as the managers understand and evaluate the risks involved in carrying out their duties in their divisions, and accordingly respond to risks within the scope of their authority as stipulated by regulations and the system for management decision approval (*ringi* system).

Moreover, key risk factors are discussed at meetings of the Board of Directors or of the Executive Board.

The Company has established regulations for risk management and defined a Companywide risk management system. With respect to risk based on functions such as safety and hygiene, environmental management, information security, and security export controls, the relevant division in charge of those risks sets up committees or creates regulations for managing each of those risks across division boundaries and then appropriately manages them.

Moreover, a director or corporate officer of the Company has been placed in charge of risk management, and is accordingly tasked with monitoring such matters in collaboration with the department responsible for internal audits and reporting to the Board of Directors or the Executive Board.

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 identify 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 addressing risks under both ordinary and extraordinary circumstances.

5. Ensuring efficient performance of duties

To ensure rapid decision-making and the flexible and efficient performance of management duties, the president has been made the chief executive officer, and directors have been put in charge of the performance of duties in key departments within headquarters and business units. Under their leadership and supervision, the corporate officers appointed by the Board of Directors perform the duties delegated to them.

Moreover, the directors and corporate officers discuss, decide and report important matters in meetings of the Board of Directors and the Executive Board.

At JSW, Companywide goals applicable among directors, corporate officers and employees and incorporated into the Company's Medium-Term Management Plan and business plans are established at Board of Directors' meetings. Meanwhile, each director and corporate officer develops concrete measures for achieving these goals, while duties are segregated in line with in-house regulations and specific measures are planned and implemented.

Furthermore, directors and corporate officers conduct reviews of the results and provide periodic progress reports, as well as impromptu reports at meetings of the Board of Directors, the Executive Board and the Management Council.

6. Ensuring appropriate management conduct at Group companies

The Company encourages its subsidiaries to follow its Vision, Management Philosophy and Corporate Code of Conduct, 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 and has clarified the system of management responsibility and leadership for them. Moreover, 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. At the same time, the Company is careful to ensure a certain amount of management independence of its listed subsidiaries.

JSW dispatches its officers and employees as directors and corporate auditors to Group subsidiaries. Also, 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, either periodic or spot audits, through the departments in charge of each subsidiary, and also by a department responsible for the internal auditing of subsidiaries. We 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, upon request. The opinions and consent of the corporate 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 compensation packages, and no action is taken without the corporate auditors' agreement, so as to ensure the independence of the corporate auditors' assistants from the influence of the directors and corporate officers of the Company.

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

At JSW, corporate auditors attend the Board of Directors, the Executive Board, the Management Council, and other managerial meetings where important matters are discussed, decided and reported. Corporate auditors are guaranteed opportunities to attend these meetings.

In keeping with the *ringi* system, corporate auditors are also shown the records of management decision approval (*ringisho*) for their perusal. Moreover, the corporate auditors may request reports from directors, corporate officers or employees at any time they deem necessary.

9. Ensuring effective performance of audits by the corporate auditors

We provide an environment in which directors, corporate officers and employees of the Company can recognize the importance and benefits of audits performed by corporate auditors, thereby enabling them to give the highest priority to cooperating with corporate auditors in their duties as far as possible.

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

We provide an environment that enables corporate auditors to enlist close collaboration with accounting auditors and the Internal Audit Division.

We also provide an environment that allows corporate auditors to employ the services of legal advisors and other outside experts at their own discretion.

10. System for ensuring the reliability of financial reports

The Company follows basic internal control policies for financial reports and evaluates the effectiveness of internal controls for financial reports. Such findings are accordingly reported to the Board of Directors and the Executive Board and discussed in their meetings.

Policy Regarding Large-Scale Purchases of Company Shares

By resolution of the meeting of the JSW Board of Directors 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 purchase the shares issued and outstanding of the Company. These rules and procedures were adopted under the name of Measures against Large-Scale Share Acquisitions (takeover defense measures). Subsequent to this resolution, a partial amendment of these measures was presented at the Company's 82nd Regular General Meeting of Shareholders held on June 27, 2008, and the agenda item was approved and updated. After that, necessary amendments were made and then approved by shareholders at the Company's 85th Regular General Meeting of Shareholders held on June 24, 2011.

The Environment

Environmental Policy

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

In recognition of the importance of activities in promoting environmental management, we obtained ISO14001 certification for the Muroran and Hiroshima Plants in 1998 and the Yokohama plant in 2006, and continue to take steps toward maintaining more effective environmental controls. Furthermore, JSW Group companies Meiki Co., Ltd., YPK Co., Ltd. and Fine Crystal Precision (S.Z.) Co., Ltd. have also obtained ISO14001 certification.

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 with conserving biodiversity.
3. We aim to provide society with products and services that contribute to the preservation of the environment.
   (1) We endeavor to increase the social value of our products in terms of environmental protection, safety and hygiene.
   (2) We will provide products and services that reduce environmental loads by obtaining a clear grasp of environmental needs and developing technologies.

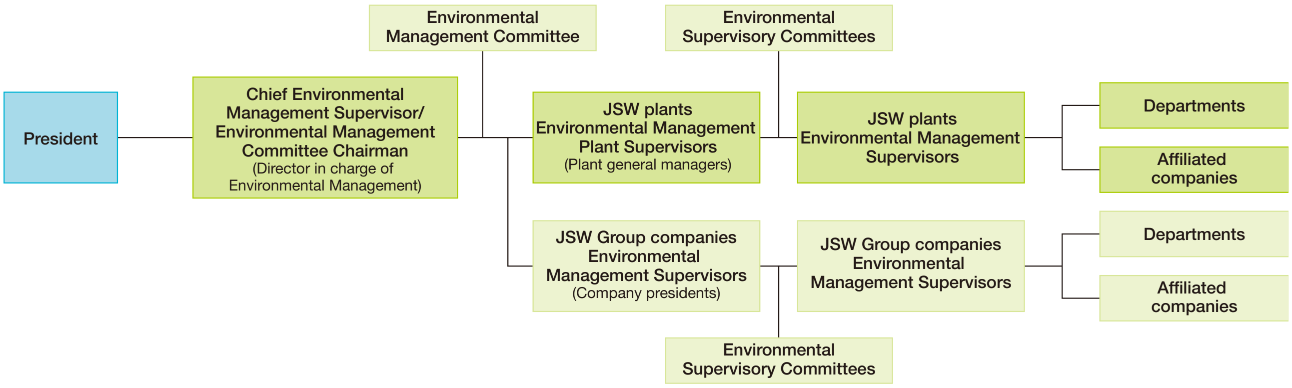
Common policy for business facilities

Taking into consideration respective business activities, local communities and the surrounding environments, each plant operates by setting out its own environmental policy, objectives and targets drawing on methods compliant with international standards. Toward such ends, JSW plants continually strive:

1. To respect laws and regulations and agreements we have concluded with external parties
2. To prevent pollution and reduce and appropriately treat waste, and to conserve the ecosystem
3. To improve "resource productivity" through implementation of energy efficiency, resource efficiency, and recycling
4. To inform employees and other companies residing within our facilities of our policies and require their cooperation

Environmental Management Structure

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 2013–2017)

We have been actively engaging in environmental management initiatives on a companywide basis since drafting our initial medium-term environmental action plan back in fiscal 2001.

With fiscal 2012 marking the final year of our Medium-Term Plan for Environmental Management Activities for fiscal 2009 to 2012, each of our plants pursued initiatives geared toward achieving targets of the plan.

With regard to the observance of laws and regulations, we implemented environmental patrols at environmental-related facilities, plants, and other sites in the vicinity, and confirmed 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 have been carrying out training programs for employees, including those of our affiliates and collaborating companies.

In April 2013 we set out on environmental management initiatives under our fourth Medium-Term Plan for Environmental Management Activities. The newest plan, which covers fiscal 2013 to 2017, is geared toward environmental activities for the entire JSW Group, and in particular encompasses Group operating bases outside the realm of our plants in Muroran, Hiroshima and Yokohama. As with the previous medium-term environmental plans, this plan also sets forth quantitative targets that we are working to achieve in terms of lower consumption of energy and other resources, and in regard to recycling initiatives.

Environmental Preservation Activities

The following section introduces a number of initiatives from among JSW's wide range of environmental preservation activities.

Safety and disaster prevention activities

At each of our plants, we comply with laws and regulations and also conduct regular disaster prevention activities to ensure their preparedness in the event of a future calamity. We have also formed fire brigades that are to be called into action should fire, earthquake or other potential catastrophe strike, and are accordingly training these crews to minimize any adverse impact that might emerge under such scenarios. Furthermore, to ensure that we are able to swiftly and adequately minimize any risk of contamination in the event of a hazardous substance spill, we have set up and documented response procedures and communication channels involving equipment, facilities and initiatives geared toward conceivable environmental outcomes. We have also been pursuing ongoing education and training in this regard to bolster our disaster-readiness and response capabilities.

Each of our plants initiates periodic environmental patrols designed to verify the control status and surveillance data relating to specific air- and water-related facilities, pretreatment facilities, oil-water separation tanks and other such facilities.

Community contributions

Our Hiroshima Plant has been holding biannual spring and autumn cleanup campaigns since 2003 to help rid the vicinity around the facility and nearby commuting routes of trash. Meanwhile, our Yokohama Plant also conducts a cleanup campaign along the main streets in the vicinity of that facility in April each year, as part of its contribution to the surrounding community. We are committed to ongoing involvement in these activities going forward.

Board of Directors, Corporate Auditors and Executive Officers

(as of June 25, 2013)

Board of Directors and Corporate Auditors

Representative Director & President
Ikuo Sato

Representative Director & Executive Vice President
Yoshitomo Tanaka

Representative Director & Senior Managing Executive Officers
Etsuo Murai
Takao Ishido

Director, Managing Executive Officers
Yutaka Mizutani
Akira Kadota
Nobuaki Shimizu

Director
Hiroo Suto (*Outside*)

Corporate Auditors
Hisao Iwashita
Seiichi Uehara
Mamoru Kawakami (*Outside*)
Akira Sato (*Outside*)

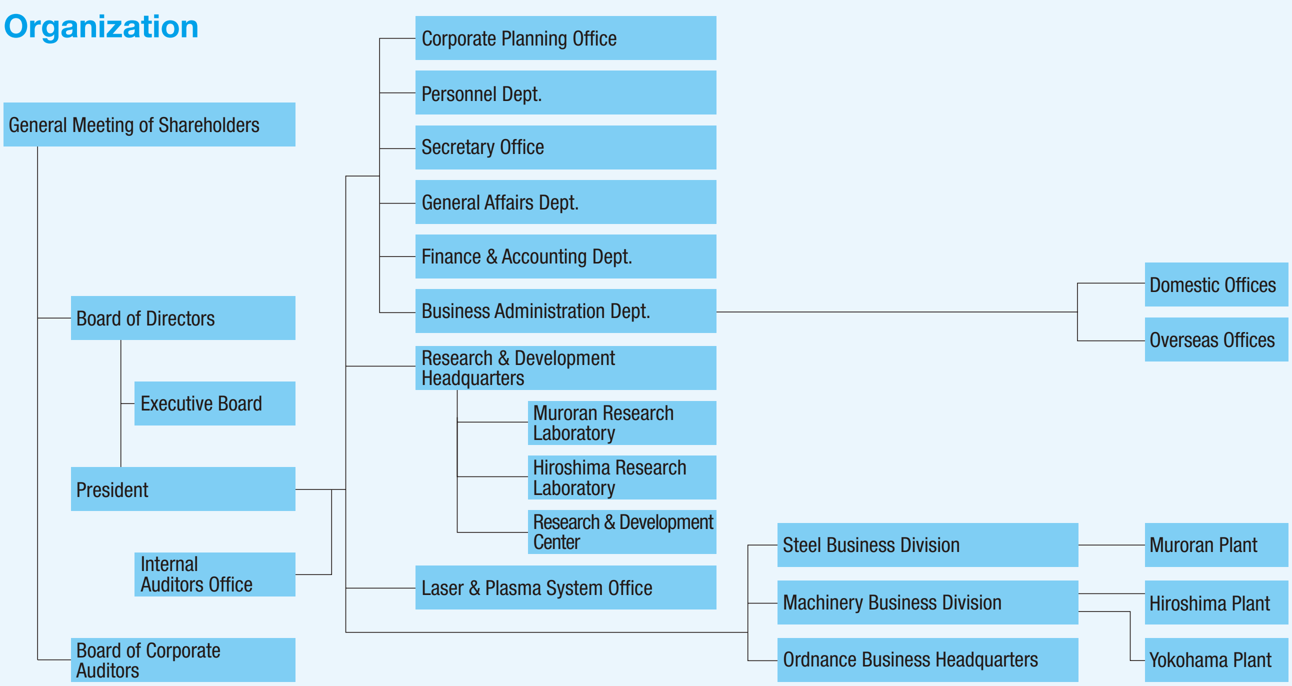
Executive Officers

Managing Executive Officers
Hiroshi Hamao
Nobuhisa Kobayashi

Senior Executive Officers
Shin-ichi Ono
Hirohisa Matsuo
Kazuo Kitamura

Executive Officers
Hiroyuki Tokushige
Hiroo Akabane
Yoshinao Ishibashi
Hiroshi Fujimura
Kenji Watanabe
Yutaka Higashiizumi
Naotaka Miyauchi
Takashi Shibata
Makoto Shimizu
Katsutoshi Orita

Organization



Financial Section

THE JAPAN STEEL WORKS, LTD.

Six-Year Summary

Years ended March 31

Consolidated	Millions of Yen					
	2013	2012	2011	2010	2009	2008
Net sales	**¥220,653**	¥221,368	¥212,929	¥201,680	¥227,113	¥220,851
Net income	**8,281**	12,591	16,532	17,528	16,034	17,484
Total assets	**303,970**	325,653	339,263	322,986	296,909	262,453
Total net assets	**134,368**	128,613	120,820	111,149	90,125	85,231
Amounts per share (yen):						
Net income	**¥22.33**	¥33.93	¥44.54	¥47.22	¥43.19	¥47.10

Non-Consolidated	Millions of Yen					
	2013	2012	2011	2010	2009	2008
Net sales	**¥184,312**	¥189,329	¥179,325	¥175,333	¥196,030	¥189,318
Net income	**7,519**	11,257	14,527	16,665	15,449	15,878
Total assets	**277,086**	302,550	316,176	298,783	277,301	243,433
Total net assets	**120,866**	116,255	109,734	101,615	82,449	77,958
Amounts per share (yen):						
Net income	**¥20.28**	¥30.33	¥39.14	¥44.90	¥41.62	¥42.77
Cash dividends applicable to the year	**¥10.00**	¥10.00	¥12.00	¥12.00	¥12.00	¥12.00

Contents

Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales decreased ¥714 million year on year, or 0.3%, to ¥220,653 million (US$2,346 million) in the reporting period. The decline was attributable to a downturn in the Steel and Energy Products Business.

Operating Income

Operating income declined ¥7,230 million, or 30.2%, to ¥16,680 million (US$177 million). The operating income margin stood at 7.6%, a 3.2 percentage-point decline compared to the previous fiscal year.

Net Income

Net income decreased ¥4,310 million, or 34.2%, to ¥8,281 million (US$88 million). This equates to net income of ¥22.33 for the period on a per-share basis.

Sales by Region

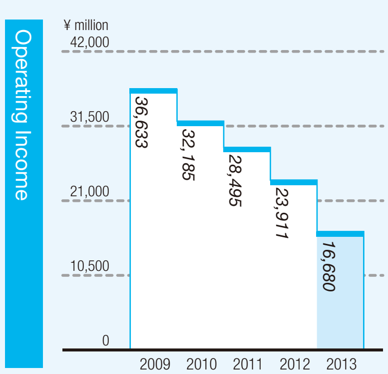
The Japanese market accounted for sales of ¥105,180 million (US$1,118 million), the Chinese market for ¥27,131 million (US$288 million), with all other markets accounting for ¥88,341 million (US$939 million).

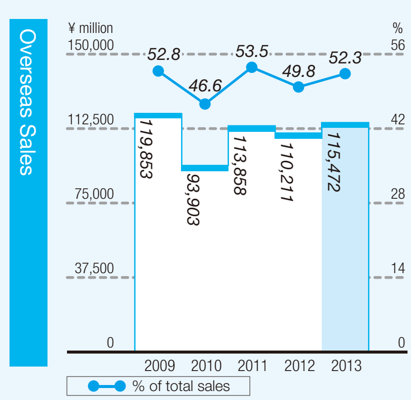
Cash Flows

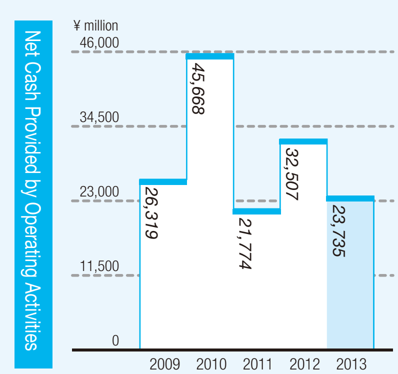
Cash and cash equivalents stood at ¥50,972 million (US$541 million) at the reporting term-end, up ¥2,865 million year on year after adjusting for non-cash items. This was partially the result of a decline in capital expenditures and working capital, despite net income before income taxes and other adjustments decreasing to ¥14,802 million, in comparison to ¥20,302 million the previous fiscal year.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥23,735 million (US$252 million), compared with ¥32,507 million in the previous term. This was due mainly to net income before income taxes and other adjustments of ¥14,802 million and other non-cash items such as depreciation and amortization.







Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥5,832 million (US$62 million), compared with ¥18,601 million for the previous term. This was due mainly to an investment of ¥6,209 million in property, plant and equipment.

Cash Flow from Financing Activities

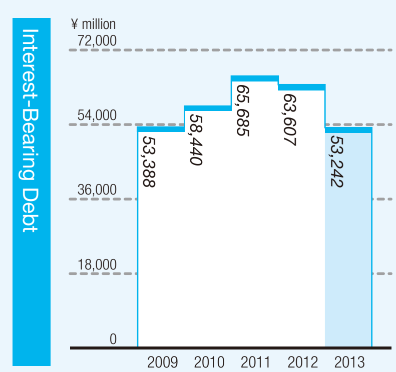
Net cash used in financing activities amounted to ¥15,259 million (US$162 million), compared with a net cash inflow of ¥6,846 million for the previous term. This was due in a large part to ¥13,830 million in repayments for long-term borrowings mainly in the form of syndicated loans and dividend payments amounting to ¥3,708 million, but was partially offset by proceeds from long-term borrowings of ¥4,400 million.

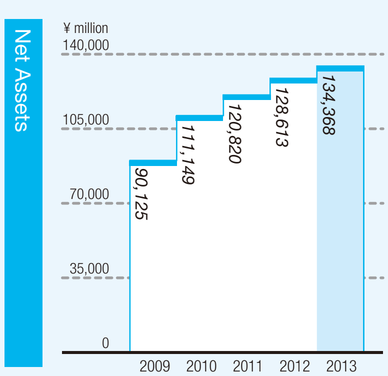
Financial Position

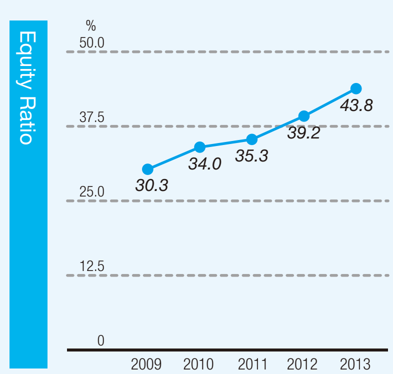
Total assets as of the end of March 2013 stood at ¥303,970 million (US$3,232 million), down ¥21,683 million, or 6.7%, from the previous term-end. This was partially due to a decrease in current assets stemming from lower figures for work in process coupled with a decrease in property, plant and equipment.

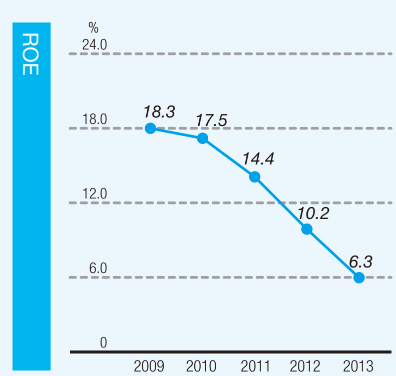
Liabilities at the reporting term-end stood at ¥169,601 million (US$1,803 million), down ¥27,438 million, or 13.9%, from the previous term-end. This was largely attributable to a decrease in long-term debt. Interest-bearing debt stood at ¥53,242 million (US$566 million), down ¥10,364 million from the previous fiscal year.

Net assets at the reporting term-end totaled ¥134,368 million (US$1,428 million), up ¥5,755 million, or 4.5%, over the previous term-end.









THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash on hand and in banks (Notes 14 and 16)	**¥ 51,005**	¥ 48,148	**$ 542,318**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**690**	2,062	**7,337**
Trade (Note 16)	**51,288**	44,495	**545,327**
Other	**199**	370	**2,116**
Less allowance for doubtful accounts	**(225)**	(314)	**(2,392)**
Inventories (Note 4)	**59,516**	79,348	**632,812**
Deferred tax assets (Note 20)	**6,473**	6,400	**68,825**
Other current assets	**5,076**	4,139	**53,971**
Total current assets	**174,024**	184,652	**1,850,335**
Property, plant and equipment, at cost (Notes 5 and 6):			
Land	**11,050**	11,058	**117,491**
Buildings and structures	**96,883**	96,954	**1,030,122**
Machinery and equipment	**140,932**	144,515	**1,498,480**
Leased assets	**6,382**	8,042	**67,858**
Construction in progress	**737**	2,088	**7,836**
	255,986	262,659	**2,721,808**
Less accumulated depreciation	**(161,510)**	(156,117)	**(1,717,278)**
Property, plant and equipment, net	**94,476**	106,541	**1,004,530**
Intangible assets	**789**	934	**8,389**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**753**	868	**8,006**
Investment securities (Notes 16 and 17)	**27,307**	25,434	**290,346**
Long-term loans receivable	**103**	241	**1,095**
Deferred tax assets (Note 20)	**1,310**	1,932	**13,929**
Other assets	**5,799**	5,471	**61,659**
Less allowance for doubtful accounts	**(594)**	(423)	**(6,316)**
Total investments and other assets	**34,680**	33,524	**368,740**
Total assets	**¥303,970**	¥325,653	**$3,232,004**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2013	2012	Thousands of U.S. Dollars (Note 3) 2013
Current liabilities:			
Short-term borrowings (Notes 8 and 16)	**¥ 12,703**	¥ 12,885	**$ 135,066**
Current portion of long-term debt (Notes 8 and 16)	**11,404**	15,190	**121,255**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**37**	37	**393**
Trade (Note 16)	**42,179**	41,634	**448,474**
Other	**1,498**	1,749	**15,928**
Advances received for products	**21,389**	32,615	**227,422**
Accrued income taxes (Note 20)	**2,373**	4,141	**25,231**
Other current liabilities	**19,710**	21,396	**209,569**
Total current liabilities	**111,296**	129,649	**1,183,371**
Long-term liabilities:			
Long-term debt (Notes 8 and 16)	**29,134**	35,532	**309,771**
Accrued retirement benefits (Note 19)			
For employees	**9,419**	9,695	**100,149**
For directors and corporate auditors	**124**	195	**1,318**
Deferred tax liabilities (Note 20)	**1,128**	1,084	**11,994**
Other long-term liabilities	**18,497**	20,881	**196,672**
Total long-term liabilities	**58,305**	67,389	**619,936**
Net assets:			
Shareholders' equity (Note 13)			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued — 371,463,036 shares	**19,694**	19,694	**209,399**
Capital surplus	**5,425**	5,426	**57,682**
Retained earnings	**107,861**	103,288	**1,146,847**
Treasury stock, at cost (632,211 shares in 2013 and 621,564 shares in 2012)	**(413)**	(408)	**(4,391)**
Total shareholders' equity	**132,568**	128,000	**1,409,548**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	**1,475**	385	**15,683**
Unrealized gain (loss) from hedging instruments	**(332)**	(62)	**(3,530)**
Translation adjustments	**(474)**	(650)	**(5,040)**
Total accumulated other comprehensive income	**668**	(327)	**7,103**
Minority interests	**1,131**	940	**12,026**
Total net assets	**134,368**	128,613	**1,428,687**
Total liabilities and net assets	**¥303,970**	¥325,653	**$3,232,004**

THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Net sales	**¥220,653**	¥221,368	**$2,346,124**
Cost of sales (Note 9)	**176,172**	169,733	**1,873,174**
Gross profit	**44,480**	51,634	**472,940**
Selling, general and administrative expenses (Note 9)	**27,799**	27,723	**295,577**
Operating income	**16,680**	23,911	**177,352**
Other income (expenses):			
Interest and dividend income	**537**	531	**5,710**
Interest expense	**(635)**	(664)	**(6,752)**
Other, net (Note 10)	**(1,780)**	(3,476)	**(18,926)**
	(1,878)	(3,609)	**(19,968)**
Income before income taxes and minority interests	**14,802**	20,302	**157,384**
Income taxes (Note 20)**:**			
Current	**6,049**	7,373	**64,317**
Deferred	**272**	312	**2,892**
Income before minority interests	**8,479**	12,616	**90,154**
Minority interests in net income of consolidated subsidiaries	**198**	25	**2,105**
Net income (Note 26)	**¥ 8,281**	¥ 12,591	**$ 88,049**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Income before minority interests	**¥8,479**	¥12,616	**$ 90,154**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	**1,089**	(302)	**11,579**
Unrealized gain (loss) from hedging instruments	**(269)**	(164)	**(2,860)**
Translation adjustments	**185**	(68)	**1,967**
Total other comprehensive income (Note 12)	**1,004**	(535)	**10,675**
Comprehensive income	**¥9,484**	¥12,081	**$100,840**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	**¥9,277**	¥12,060	**$ 98,639**
Minority interests	**¥ 206**	¥ 21	**$ 2,190**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	2013
Common stock:			
Balance at beginning of year	¥ 19,694	¥ 19,694	$ 209,399
Balance at end of year	¥ 19,694	¥ 19,694	$ 209,399
Capital surplus:			
Balance at beginning of year	¥ 5,426	¥ 5,426	$ 57,693
Disposal of treasury stock	(0)	(0)	(0)
Balance at end of year	¥ 5,425	¥ 5,426	$ 57,682
Retained earnings:			
Balance at beginning of year	¥103,288	¥ 94,779	$1,098,224
Cash dividends paid	(3,708)	(4,082)	(39,426)
Net income	8,281	12,591	88,049
Balance at end of year	¥107,861	¥103,288	$1,146,847
Treasury stock, at cost:			
Balance at beginning of year	¥ (408)	¥ (224)	$ (4,338)
Purchases of treasury stock	(5)	(184)	(53)
Disposal of treasury stock	0	0	0
Balance at end of year	¥ (413)	¥ (408)	$ (4,391)
Total shareholders' equity:			
Balance at beginning of year	¥128,000	¥119,676	$1,360,978
Cash dividends paid	(3,708)	(4,082)	(39,426)
Net income	8,281	12,591	88,049
Purchases of treasury stock	(5)	(184)	(53)
Disposal of treasury stock	0	0	0
Balance at end of year	¥132,568	¥128,000	$1,409,548
Unrealized holding gain (loss) on securities:			
Balance at beginning of year	¥ 385	¥ 687	$ 4,094
Net changes in items other than those in shareholders' equity	1,089	(302)	11,579
Balance at end of year	¥ 1,475	¥ 385	$ 15,683
Unrealized gain (loss) from hedging instruments:			
Balance at beginning of year	¥ (62)	¥ 102	$ (659)
Net changes in items other than those in shareholders' equity	(269)	(164)	(2,860)
Balance at end of year	¥ (332)	¥ (62)	$ (3,530)
Translation adjustments:			
Balance at beginning of year	¥ (650)	¥ (586)	$ (6,911)
Net changes in items other than those in shareholders' equity	176	(64)	1,871
Balance at end of year	¥ (474)	¥ (650)	$ (5,040)
Total accumulated other comprehensive income:			
Balance at beginning of year	¥ (327)	¥ 203	$ (3,477)
Net changes in items other than those in shareholders' equity	995	(531)	10,579
Balance at end of year	¥ 668	¥ (327)	$ 7,103
Minority interests:			
Balance at beginning of year	¥ 940	¥ 940	$ 9,995
Net changes in items other than those in shareholders' equity	191	(0)	2,031
Balance at end of year	¥ 1,131	¥ 940	$ 12,026
Total net assets:			
Balance at beginning of year	¥128,613	¥120,820	$1,367,496
Cash dividends paid	(3,708)	(4,082)	(39,426)
Net income	8,281	12,591	88,049
Purchases of treasury stock	(5)	(184)	(53)
Disposal of treasury stock	0	0	0
Net changes in items other than those in shareholders' equity	1,187	(531)	12,621
Balance at end of year	¥134,368	¥128,613	$1,428,687

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Operating activities			
Income before income taxes and minority interests	**¥14,802**	¥20,302	**$157,384**
Depreciation and amortization	**15,990**	19,244	**170,016**
Loss on impairment of fixed assets (Note 11)	**446**	—	**4,742**
Interest and dividend income	**(537)**	(531)	**(5,710)**
Interest expense	**635**	664	**6,752**
Equity in (earnings) losses of affiliates	**(0)**	0	**(0)**
Loss on write-downs of investment securities	**13**	2,303	**138**
Loss on disposal of tangible and intangible assets	**1,927**	379	**20,489**
(Gain) loss on sales of property, plant and equipment	**(30)**	(53)	**(319)**
Gain on negative goodwill	**(57)**	—	**(606)**
Changes in operating assets and liabilities:			
Trade assets (Note 16)	**(16,333)**	(1,720)	**(173,663)**
Trade liabilities	**(422)**	(3,332)	**(4,487)**
Inventories (Note 4)	**19,840**	2,776	**210,952**
Other	**(4,614)**	3,827	**(49,059)**
Subtotal	**31,662**	43,859	**336,651**
Interest and dividends received	**539**	526	**5,731**
Interest paid	**(643)**	(667)	**(6,837)**
Income taxes paid	**(7,823)**	(11,210)	**(83,179)**
Net cash provided by operating activities	**23,735**	32,507	**252,366**
Investing activities			
Increase in tangible and intangible assets	**(6,209)**	(17,233)	**(66,018)**
Decrease in tangible and intangible assets	**88**	236	**936**
Purchases of investment securities	**(10)**	(682)	**(106)**
Reimbursement of long-term deposits on contracts	**(201)**	(739)	**(2,137)**
(Increase) decrease in short-term loans receivable	**(68)**	(205)	**(723)**
Collection of long-term loans receivable	**35**	—	**372**
Payments for investments in capital of subsidiaries and affiliates	**(107)**	—	**(1,138)**
Purchase of investments in subsidiaries	**(12)**	—	**(128)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**500**	—	**5,316**
Other	**153**	22	**1,627**
Net cash used in investing activities	**(5,832)**	(18,601)	**(62,010)**
Financing activities (Notes 8 and 16)			
Net decrease in short-term borrowings	**(281)**	(235)	**(2,988)**
Increase in long-term debt	**4,400**	—	**46,784**
Decrease in long-term debt	**(13,830)**	(635)	**(147,049)**
Cash dividends paid	**(3,708)**	(4,082)	**(39,426)**
Acquisition of treasury stock	**(23)**	(2)	**(245)**
Repayments of finance lease obligations	**(1,814)**	(1,869)	**(19,288)**
Other	**(1)**	(21)	**(11)**
Net cash provided by (used in) financing activities	**(15,259)**	(6,846)	**(162,243)**
Effect of exchange rate changes on cash and cash equivalents	**222**	(69)	**2,360**
(Decrease) increase in cash and cash equivalents	**2,865**	6,990	**30,463**
Cash and cash equivalents at beginning of the year	**48,107**	41,116	**511,505**
Cash and cash equivalents at end of the year (Notes 14 and 16)	**¥50,972**	¥48,107	**$541,967**

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, 2013, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 35 and 1 (34 and 1 in 2012), respectively. Effective March 31, 2013, YPK Co., Ltd. was included in the scope of consolidation as a result of additional acquisition of shares. Fine Crystal Precision (S.Z.) Co., Ltd. was included in the scope of consolidation as a result of establishment of the company. Nikko Materials Co., Ltd. was excluded from the scope of consolidation, after Nikko Materials 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) Investment securities

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 possible future 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 for buildings to which the straight-line method is applied.

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 purchase and sales 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 on sales of products are generally recognized 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) Standards issued but not yet effective

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

(i) Treatment in the balance sheet — Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(ii) Treatment in the statement of income and the statement of comprehensive income — Actuarial gains and losses and prior service cost that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service cost that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

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 ¥94.05 = U.S.$1.00, the approximate rate of exchange prevailing on March 29, 2013. 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, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Real estate held for sale	**¥ 18**	¥ 18	**$ 191**
Finished products	**1,363**	1,431	**14,492**
Work in process	**53,428**	72,706	**568,081**
Raw materials and supplies	**4,705**	5,192	**50,027**
Total	**¥59,516**	¥79,348	**$632,812**

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 ¥2,035 million ($21,637 thousand) at March 31, 2013 and ¥2,391 million at March 31, 2012.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Depreciation expense	**¥16,061**	¥19,252	**$170,771**

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, 2013 and 2012 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Accumulated advanced depreciation expense	**¥1,286**	¥1,287	**$13,674**

7. Contingent Liabilities

Contingent liabilities at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
As endorsers of trade notes receivable:			
Discounted to banks	**¥ 30**	¥ 23	**$ 319**
Endorsed to other	**70**	85	**744**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	**588**	586	**6,252**
Gotsu Wind Power Co., Ltd.	**1,509**	1,633	**16,045**
Uncollected receivables in leasing companies	**16**	16	**170**
Employees and other	**238**	355	**2,531**

8. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.57% to 2.1% at March 31, 2013 and 0.636% to 1.975% at March 31, 2012, were unsecured.

Long-term debt at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Loans from banks and insurance companies with interest at annual rates ranging from 0.19% to 2.3%	**¥28,335**	¥37,535	**$301,276**
Less those maturing within one year	**(10,530)**	(13,670)	**(111,962)**
Lease obligations	**2,203**	3,187	**23,424**
Less those maturing within one year	**(874)**	(1,520)	**(9,293)**
0.48% straight bonds, due 2015	**10,000**	10,000	**106,326**
Long-term indebtedness reflected in the consolidated balance sheets	**¥29,134**	¥35,532	**$309,771**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2013 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
2014	¥ —	$ —	¥10,530	$111,962
2015	—	—	2,660	28,283
2016	10,000	106,326	10,940	116,321
2017	—	—	175	1,861
2018	—	—	4,030	42,850
2019 and thereafter	—	—	—	—

	Lease obligations	
Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥874	$9,293
2015	598	6,358
2016	389	4,136
2017	220	2,339
2018	105	1,116
2019 and thereafter	16	170

9. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Research and development expenses	**¥4,054**	¥4,626	**$43,105**

10. Other Income (Expenses) — Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Cancellation fee received	**¥ 2,099**	¥ 34	**$ 22,318**
Amortization of negative goodwill	**71**	71	**755**
Equity in earnings of affiliates	**0**	—	**0**
Provision for warranties for completed construction	**(2,393)**	(1,096)	**(25,444)**
Gain on sales of property, plant and equipment	**34**	85	**362**
Gain on negative goodwill	**57**	—	**606**
Loss on sales or disposal of property, plant and equipment	**(1,931)**	(411)	**(20,532)**
Loss on write-downs of investment securities	**(13)**	(2,303)	**(138)**
Loss on valuation of membership	**(6)**	(12)	**(64)**
Impairment loss	**(446)**	—	**(4,742)**
Other, net	**748**	155	**7,953**
Total	**¥(1,780)**	¥(3,476)	**$(18,926)**

11. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets recognized by the Company and a certain consolidated subsidiary for the year ended March 31, 2013 was as follows:

Location	Use	Classification
Iruma-shi, Saitama prefecture	Idle assets	Buildings and other
Guangdong province, China (a subsidiary engaged in the Steel and Energy Products)	Operating assets	Machinery and other

The Company and its consolidated subsidiaries group their assets by classifying them into the smallest independent cash flow generating units on the basis of managerial accounting, whereas idle assets are grouped on an individual basis.

Regarding the above assets, the Company and its consolidated subsidiaries marked down the book value of these asset groups, due to their significant decline in profitability and/or market price, to their recoverable amounts.

The resulting impairment loss for the year ended March 31, 2013 was as follows:

Classification	Millions of Yen	Thousands of U.S. Dollars
Buildings and Structures	**¥356**	**$3,785**
Machinery	**87**	**925**
Equipment	**3**	**32**
Total	**¥446**	**$4,742**

The Company and its consolidated subsidiaries principally use net realizable value for calculating the recoverable amount.

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, 2013 and 2012:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized holding gain (loss) on securities:			
Amount arising during the year	**¥1,672**	¥(2,571)	**$17,778**
Reclassification adjustments for gains and losses realized in net income	**13**	2,013	**138**
The amount of unrealized holding gain (loss) on securities before tax effect	**1,686**	(558)	**17,927**
Tax effect	**(596)**	256	**(6,337)**
Unrealized holding gain (loss) on securities	**1,089**	(302)	**11,579**
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	**(433)**	(272)	**(4,604)**
Tax effect	**163**	107	**1,733**
Unrealized gain (loss) from hedging instruments	**(269)**	(164)	**(2,860)**
Translation adjustments:			
Amount arising during the year	**185**	(68)	**1,967**
Translation adjustments	**185**	(68)	**1,967**
Total other comprehensive income	**¥1,004**	¥ (535)	**$10,675**

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

Year ended March 31, 2013

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

	Number of shares			
	Year ended March 31, 2012	Increase during the year	Decrease during the year	Year ended March 31, 2013
Shares issued:				
Common stock	**371,463,036**	**–**	**–**	**371,463,036**
Treasury stock:				
Common stock (Notes 1 and 2)	**621,564**	**11,507**	**860**	**632,211**

Notes 1: The increase in treasury stock — common stock of 11,507 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in treasury stock — common stock of 860 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 26, 2012
Type of shares: Common stock
Total amount of dividends: ¥1,854 million ($19,713 thousand)
Dividends per share: ¥5 ($0.053)
Cut-off date: March 31, 2012
Effective date: June 27, 2012

② Resolution: Meeting of Board of Directors held on October 29, 2012
Type of shares: Common stock
Total amount of dividends: ¥1,854 million ($19,713 thousand)
Dividends per share: ¥5 ($0.053)
Cut-off date: September 30, 2012
Effective date: December 3, 2012

(ii) Dividends of which the cut-off date was in the year ended March 31, 2013, but the effective date is in the following fiscal year

Resolution: Annual general meeting of shareholders held on June 25, 2013
Type of shares: Common stock
Total amount of dividends: ¥1,854 million ($19,713 thousand)
Dividends per share: ¥5 ($0.053)
Cut-off date: March 31, 2013
Effective date: June 26, 2013
Source of dividends: Retained earnings

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
Dividends per share: ¥6
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
Dividends per share: ¥5
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
Dividends per share: ¥5
Cut-off date: March 31, 2012
Effective date: June 27, 2012
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, 2013 and 2012 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Cash on hand and in banks in the consolidated balance sheet	**¥51,005**	¥48,148	**$542,318**
Investments with maturities of three months or less from the date of acquisition	**–**	31	**–**
Time deposits with maturities of more than three months	**(32)**	(72)	**(340)**
Cash and cash equivalents in the consolidated statement of cash flows	**¥50,972**	¥48,107	**$541,967**

(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, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Lease assets	**¥732**	¥646	**$7,783**
Lease obligations.....................	**766**	675	**8,145**

(c) Summary of assets acquired and liabilities assumed through the acquisition of shares of YPK Co., Ltd. for the year ended March 31, 2013, relating acquisition costs and net proceeds:

	Millions of Yen	Thousands of U.S. Dollars
Current assets..	**¥6,285**	**$66,826**
Noncurrent assets	**394**	**4,189**
Current liabilities	**(5,926)**	**(63,009)**
Noncurrent liabilities..................................	**(225)**	**(2,392)**
Negative goodwill	**(55)**	**(585)**
Company's interest prior to the date of acquisition	**(308)**	**(3,275)**
Acquisition costs of YPK Co., Ltd.	**164**	**1,744**
Cash and cash equivalents (YPK Co., Ltd.)	**(665)**	**(7,071)**
Net proceeds from acquisition of YPK Co., Ltd.	**¥ 500**	**$ 5,316**

15. Leases

Year ended March 31, 2013

Future minimum lease payments subsequent to March 31, 2013 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	**¥2,846**	**$30,260**
2015 and thereafter	**5,291**	**56,257**
Total	**¥8,138**	**$86,528**

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
2013	¥ 2,819
2014 and thereafter	7,373
Total	¥10,193

16. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for operations and capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") utilize funds provided by operating cash flows first. 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 contracts 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. These securities are mainly composed of the shares 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 hedging instruments.

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 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, 2013 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, 2013

	Millions of Yen		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**¥ 51,005**	**¥ 51,005**	**¥ —**
Trade notes and accounts receivable	**51,970**	**51,967**	**(3)**
Securities:			
Other securities	**25,715**	**25,715**	**—**
Total assets	**¥128,691**	**¥128,687**	**¥ (3)**
Liabilities			
Trade notes and accounts payable	**¥ 42,216**	**¥ 42,216**	**¥ —**
Short-term borrowings	**12,703**	**12,703**	**—**
Current portion of long-term debt	**10,530**	**10,562**	**32**
Bonds	**10,000**	**10,034**	**34**
Long-term debt	**17,805**	**17,929**	**124**
Total liabilities	**¥ 93,255**	**¥ 93,446**	**¥190**
Derivatives (*)	**¥ (534)**	**¥ (534)**	**—**

	Thousands of U.S. Dollars		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**$ 542,318**	**$ 542,318**	**$ —**
Trade notes and accounts receivable	**552,578**	**552,547**	**(32)**
Securities:			
Other securities	**273,418**	**273,418**	**—**
Total assets	**$1,368,325**	**$1,368,283**	**$ (32)**
Liabilities			
Trade notes and accounts payable	**$ 448,868**	**$ 448,868**	**$ —**
Short-term borrowings	**135,066**	**135,066**	**—**
Current portion of long-term debt	**111,962**	**112,302**	**340**
Bonds	**106,326**	**106,688**	**362**
Long-term debt	**189,314**	**190,633**	**1,318**
Total liabilities	**$ 991,547**	**$ 993,578**	**$2,020**
Derivatives (*)	**$ (5,678)**	**$ (5,678)**	**—**

(*) 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, 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)	—

(*) 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

The fair value is 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

The 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 the 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
	2013	2012	**2013**
Unlisted stocks	**¥1,949**	¥1,967	**$20,723**

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, 2013 and 2012.

Year ended March 31, 2013

	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	**¥ 51,005**	**¥ —**	**—**
Trade notes and accounts receivable	**51,275**	**695**	**—**
Total	**¥102,280**	**¥695**	**—**

	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	**$ 542,318**	**$ —**	**—**
Trade notes and accounts receivable	**545,189**	**7,390**	**—**
Total	**$1,087,507**	**$7,390**	**—**

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	—

(iv) The redemption schedule for long-term debt

Year ended March 31, 2013

	Millions of Yen		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**¥ —**	**¥10,530**	**¥874**
Due after 1 year through 2 years	**—**	**2,660**	**598**
Due after 2 years through 3 years	**10,000**	**10,940**	**389**
Due after 3 years through 4 years	**—**	**175**	**220**
Due after 4 years through 5 years	**—**	**4,030**	**105**
Due after 5 years	**—**	**—**	**16**

	Thousands of U.S. Dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**$ —**	**$111,962**	**$9,293**
Due after 1 year through 2 years	**—**	**28,283**	**6,358**
Due after 2 years through 3 years	**106,326**	**116,321**	**4,136**
Due after 3 years through 4 years	**—**	**1,861**	**2,339**
Due after 4 years through 5 years	**—**	**42,850**	**1,116**
Due after 5 years	**—**	**—**	**170**

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

17. Securities

Other securities:

March 31, 2013

	Millions of Yen		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	**¥ 5,410**	**¥10,457**	**¥5,047**
Carrying amount not exceeding the acquisition cost:			
Stocks	**17,663**	**14,900**	**(2,763)**
Total	**¥23,073**	**¥25,357**	**¥2,284**

	Thousands of U.S. Dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeding the acquisition cost:			
Stocks	**$ 57,523**	**$111,186**	**$53,663**
Carrying amount not exceeding the acquisition cost:			
Stocks	**187,804**	**158,426**	**(29,378)**
Total	**$245,327**	**$269,612**	**$24,285**

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

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, 2013

None applicable

Year ended March 31, 2012

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, 2013

Hedge accounting method	Type of derivative	Principal items hedged	Millions of Yen Contract amount		Fair value
				Over one year	
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable			
	Sell:				
	U.S. dollars		**¥8,284**	**¥298**	**¥(774)**
	Euros		**751**	**84**	**(44)**
	Canadian dollars		**22**	**—**	**0**
	Hong Kong dollars		**12**	**—**	**(1)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		**¥5,003**	**—**	**¥ 229**
	Euros		**521**	**—**	**48**
	Sterling pound		**120**	**—**	**8**
	Hong Kong dollars		**7**	**—**	**(0)**

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. Dollars Contract amount		Fair value
				Over one year	
Allocation method	Foreign exchange forward contracts	Notes and accounts receivable			
	Sell:				
	U.S. dollars		**$88,081**	**$3,169**	**$(8,230)**
	Euros		**7,985**	**893**	**(468)**
	Canadian dollars		**234**	**—**	**0**
	Hong Kong dollars		**128**	**—**	**(11)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		**$53,195**	**—**	**$ 2,435**
	Euros		**5,540**	**—**	**510**
	Sterling pound		**1,276**	**—**	**85**
	Hong Kong dollars		**74**	**—**	**(0)**

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

Year ended March 31, 2012

Hedge accounting method	Type of derivative	Principal items hedged	Millions of Yen		
			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

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

(ii) Interest-related transactions

Year ended March 31, 2013

Hedge accounting method	Type of derivative	Principal items hedged	Millions of Yen		
			Contract amount		Fair value
Special treatment for interest rate swaps	Receive/floating and pay/fixed			Over one year	
		Current portion of long-term borrowings			
		Long-term borrowings	**¥14,100**	**¥4,000**	(*)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. Dollars		
			Contract amount		Fair value
Special treatment for interest rate swaps	Receive/floating and pay/fixed			Over one year	
		Current portion of long-term borrowings			
		Long-term borrowings	**$149,920**	**$42,531**	(*)

(*) 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, 2012

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

(*) 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, 2013 and 2012 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Retirement benefit obligation	**¥(25,153)**	¥(26,300)	**$(267,443)**
Plan assets at fair value	**16,012**	14,381	**170,250**
Unfunded retirement benefit obligation	**(9,141)**	(11,918)	**(97,193)**
Unrecognized actuarial loss	**2,611**	4,351	**27,762**
Unrecognized prior service cost	**274**	414	**2,913**
Net retirement benefit obligation	**(6,254)**	(7,152)	**(66,497)**
Accrued retirement benefits	**(9,419)**	(9,695)	**(100,149)**
Prepaid pension cost	**¥ 3,164**	¥ 2,543	**$ 33,642**

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥1,549**	¥1,847	**$16,470**
Interest cost	**289**	312	**3,073**
Expected return on plan assets	**(204)**	(206)	**(2,169)**
Amortization of actuarial loss	**440**	1,152	**4,678**
Amortization of prior service cost	**140**	140	**1,489**
Retirement benefit expenses	**¥2,214**	¥3,246	**$23,541**

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

	2013	2012
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, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 239**	¥ 326	**$ 2,541**
Accrued bonuses	**1,144**	1,215	**12,164**
Unrealized gain on intercompany transactions	**592**	784	**6,295**
Accrued retirement benefits for employees	**4,453**	4,565	**47,347**
Accrued retirement benefits for directors and corporate auditors	**69**	111	**734**
Loss on revaluation of inventory items	**1,492**	1,521	**15,864**
Loss on revaluation of financial instruments	**274**	263	**2,913**
Impairment loss	**184**	56	**1,956**
Depreciation	**1,107**	876	**11,770**
Amortization of deferred assets	**36**	67	**383**
Amortization of long-term prepaid expenses	**105**	94	**1,116**
Provision for warranties for completed construction	**1,202**	576	**12,780**
Provision for loss on construction contracts	**1,351**	2,021	**14,365**
Less allowance for doubtful accounts	**145**	111	**1,542**
Asset retirement obligations	**490**	462	**5,210**
Percentage-of-completion method	**256**	99	**2,722**
Tax loss carry forwards	**2,085**	1,800	**22,169**
Deferred loss on hedges	**319**	93	**3,392**
Unrealized loss on investment securities	**974**	944	**10,356**
Other	**354**	278	**3,764**
Gross deferred tax assets	**16,882**	16,272	**179,500**
Valuation allowance	**(3,676)**	(2,661)	**(39,086)**
Total deferred tax assets	**13,205**	13,611	**140,404**
Deferred tax liabilities:			
Reserve for advanced depreciation	**1,853**	1,931	**19,702**
Reserve for special depreciation	**1,342**	1,999	**14,269**
Prepaid pension cost	**1,120**	900	**11,909**
Disposal cost with asset retirement obligations	**289**	297	**3,073**
Unrealized gain on investment securities	**1,794**	1,156	**19,075**
Deferred gain on hedges	**117**	55	**1,244**
Other	**34**	23	**362**
Total deferred tax liabilities	**6,551**	6,363	**69,654**
Net deferred tax assets	**¥ 6,653**	¥ 7,248	**$ 70,739**

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rates for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Statutory tax rates	**37.8%**	40.5%
Effect of:		
Change in valuation allowance	**6.9**	(5.2)
Tax credit	**(1.9)**	(1.0)
Other	**0.0**	3.7
Effective tax rates	**42.7%**	37.9%

21. Business Combinations

Business combination through acquisition

(a) Outline of business combination

① Name and business of acquired company

Name: YPK Co., Ltd.

Business: Sales of injection molding machines, blow-molding machines, extruders, vacuum forming machines and powder processing machines, etc.
Installation services and international trading services

② Main reason for the business combination

In order to increase its market share and improve business efficiency of the group as a whole

③ Date of business combination

April 1, 2012

④ Legal form of business combination

Cash payment in exchange for shares

⑤ Name of company after business combination

YPK Co., Ltd.

⑥ Percentage of voting rights acquired

Percentage of voting rights held before the business combination: 46%

Percentage of voting rights acquired on the date of business combination: 54%

Percentage of voting rights held after the business combination: 100%

⑦ Primary reason for determining the acquiring company

The Company was determined to be the acquiring company because it acquired the shares in exchange for cash.

(b) Period for which earnings of the acquired company were included in the consolidated financial statements

The earnings of the acquired company for the period from April 1, 2012 through March 31, 2013 are included in the Company's consolidated statement of income for the year ended March 31, 2013.

(c) Acquisition cost and breakdown

Acquisition price: ¥404 million ($4,296 thousand)

Costs incurred directly in the acquisition: ¥2 million ($21 thousand)

Acquisition cost: ¥407 million ($4,327 thousand)

(d) Difference between the acquisition cost of the acquired company and the aggregate acquisition cost of each transaction until the company was acquired

¥65 million ($691 thousand)

(e) Amount and reason for gain on negative goodwill

① Amount

¥120 million ($1,276 thousand)

② Reason

The negative goodwill was generated because the fair value of the net assets acquired on the date of the business combination exceeded the acquisition cost.

(f) Assets acquired and liabilities assumed at the date of business combination

Current assets: ¥6,285 million ($66,826 thousand)

Fixed assets: ¥394 million ($4,189 thousand)

Total assets: ¥6,680 million ($71,026 thousand)

Current liabilities: ¥5,926 million ($63,009 thousand)

Long-term liabilities: ¥225 million ($2,392 thousand)

Total liabilities: ¥6,152 million ($65,412 thousand)

Transactions under common control

(a) Information on companies in business combination

i) Combination between Nikko Techno Co., Ltd. and Nikko Materials 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: Nikko Materials Co., Ltd.

Business: Manufacturing, processing and sales of wooden mold and metal mold for iron castings, steel castings and castings

② Date of business combination

October 1, 2012

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.

ii) Establishment of Fine Crystal Precision (S.Z.) Co., Ltd.

① Name and business of companies

Name of companies: Fine Crystal (H.K.) Co., Ltd., Fine Crystal Precision (S.Z.) Co., Ltd.

Business: Processing of low-pass filter for single-lens camera

② Date of business combination

December 11, 2012

③ Legal form of business combination

Investment in kind in Fine Crystal Precision (S.Z.) Co., Ltd. by transferring fixed assets possessed by Fine Crystal (H.K.) Co., Ltd.

④ Name of company after business combination

Fine Crystal Precision (S.Z.) Co., Ltd.

⑤ Purpose and outline of transactions

Fine Crystal (H.K.) Co., Ltd. established a wholly owned enterprise in connection with the change of the type of contract with its contract manufacturer.

(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, 2013 and 2012:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Balance at beginning of year	**¥1,299**	¥1,371	**$13,812**
Liabilities incurred due to the acquisition of property, plant and equipment	**—**	—	**—**
Accretion expense	**19**	19	**202**
Liabilities settled	**(47)**	(78)	**(500)**
Other	**100**	(12)	**1,063**
Balance at end of year	**¥1,371**	¥1,299	**$14,577**

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, 2013 and 2012.

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, 2013	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	**¥ 88,275**	**¥130,138**	**¥ 2,239**	**¥220,653**	**¥ —**	**¥220,653**
Intra-segment sales and transfers	**4,972**	**2,164**	**3,071**	**10,207**	**(10,207)**	**—**
Total sales	**93,248**	**132,302**	**5,310**	**230,861**	**(10,207)**	**220,653**
Operating income	**¥ (534)**	**¥ 16,784**	**¥ 840**	**¥ 17,090**	**¥ (410)**	**¥ 16,680**
Assets, depreciation, and capital expenditures:						
Total assets	**¥120,250**	**¥ 96,895**	**¥13,396**	**¥230,542**	**¥73,427**	**¥303,970**
Depreciation and amortization	**13,056**	**2,580**	**291**	**15,928**	**133**	**16,061**
Capital expenditures	**2,575**	**2,860**	**73**	**5,509**	**60**	**5,570**

	Thousands of U.S. Dollars					
	Reportable segments					
Year ended March 31, 2013	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	**$ 938,596**	**$1,383,711**	**$ 23,806**	**$2,346,124**	**$ —**	**$2,346,124**
Intra-segment sales and transfers	**52,865**	**23,009**	**32,653**	**108,527**	**(108,527)**	**—**
Total sales	**991,473**	**1,406,720**	**56,459**	**2,454,662**	**(108,527)**	**2,346,124**
Operating income	**$ (5,678)**	**$ 178,458**	**$ 8,931**	**$ 181,712**	**$ (4,359)**	**$ 177,352**
Assets, depreciation, and capital expenditures:						
Total assets	**$1,278,575**	**$1,030,250**	**$142,435**	**$2,451,271**	**$780,723**	**$3,232,004**
Depreciation and amortization	**138,820**	**27,432**	**3,094**	**169,357**	**1,414**	**170,771**
Capital expenditures	**27,379**	**30,409**	**776**	**58,575**	**638**	**59,224**

Notes 1: Adjustments and eliminations for segment profit of ¥410 million ($4,359 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 ¥73,427 million ($780,723 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 ¥133 million ($1,414 thousand) include depreciation and amortization for corporate assets.

Adjustments and eliminations for capital expenditures of ¥60 million ($638 thousand) include capital expenditures for corporate assets.

	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

Notes 1: Adjustments and eliminations for segment profit of ¥74 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 ¥71,696 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 ¥161 million include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥42 million include capital expenditures for corporate assets.

(a) Product and service information

	Millions of Yen			
Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties...	**¥88,275**	**¥130,138**	**¥2,239**	**¥220,653**

	Thousands of U.S. Dollars			
Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties...	**$938,596**	**$1,383,711**	**$23,806**	**$2,346,124**

	Millions of Yen			
Year ended March 31, 2012	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

(b) Geographical information

(i) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Japan	**¥105,180**	¥111,156	**$1,118,341**
China	**27,131**	32,038	**288,474**
Others	**88,341**	78,173	**939,298**
Consolidated	**¥220,653**	¥221,368	**$2,346,124**

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, 2013 and 2012 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, 2013 and 2012 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, 2013 and 2012 are summarized as follows:

Year ended March 31, 2013

	Millions of Yen				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Impairment loss	**¥87**	**¥59**	**—**	**¥300**	**¥446**

	Thousands of U.S. Dollars				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Impairment loss	**$925**	**$627**	**—**	**$3,190**	**$4,742**

Year ended March 31, 2012

None applicable

(e) Amortization and balance of goodwill

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, 2013 and 2012 by reportable segment:

	Millions of Yen				
Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**¥ 71**	**—**	**—**	**¥ 71**
Balance as of March 31	**—**	**143**	**—**	**—**	**143**

	Thousands of U.S. Dollars				
Year ended March 31, 2013	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**—**	**$ 755**	**—**	**—**	**$ 755**
Balance as of March 31	**—**	**1,520**	**—**	**—**	**1,520**

	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

(f) Information on gain on negative goodwill

Year ended March 31, 2013

In the Industrial Machinery Products segment, YPK Co., Ltd. became a consolidated subsidiary as a result of additional acquisition of shares. This resulted in a gain on negative goodwill of ¥55 million ($585 thousand) in the fiscal year ended March 31, 2013. Furthermore, the Company acquired additional shares of Meiki Co., Ltd., a consolidated subsidiary. This also resulted in a gain on negative goodwill of ¥1 million ($11 thousand) in the fiscal year ended March 31, 2013.

Year ended March 31, 2012

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, 2013 and 2012 and for the years then ended were as follows:

	Yen		U.S. Dollars
	2013	2012	**2013**
Net income	**¥ 22.33**	¥ 33.93	**$0.24**
Net assets	**359.29**	344.28	**3.82**

Independent Auditor's Report

Ernst & Young ShinNihon LLC
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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, 2013, 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, 2013, 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.

June 25, 2013
Tokyo, Japan

Ernst & Young ShinNihon LLC

Corporate Directory

Stock Information

Authorized Shares
1,000,000,000 shares

Issued and Outstanding Shares
371,463,036 shares

Shareholders
32,475

Stock Listings
Tokyo, Osaka*, Nagoya, Fukuoka and Sapporo

* The cash equity market of Osaka Securities Exchange was merged into Tokyo Stock Exchange on July 16, 2013.

Transfer Agent and Registrar
Sumitomo Mitsui Trust Bank, Ltd.
4-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo, Japan

Major Shareholders (holding %)

The Master Trust Bank of Japan, Ltd. (Trust Account)	5.39%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.06%
Mitsui Life Insurance Co., Ltd.	3.81%
Sumitomo Mitsui Banking Corp.	3.38%
Mitsui Sumitomo Insurance Co., Ltd.	2.38%
Sumitomo Mitsui Trust Bank, Ltd.	2.20%
MSCO CUSTOMER SECURITIES	2.12%
Nippon Steel & Sumitomo Metal Corp.	1.76%
Juniper	1.73%
Hitachi, Ltd.	1.36%

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
2,154 (Consolidated 4,804)

Auditor
Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.,
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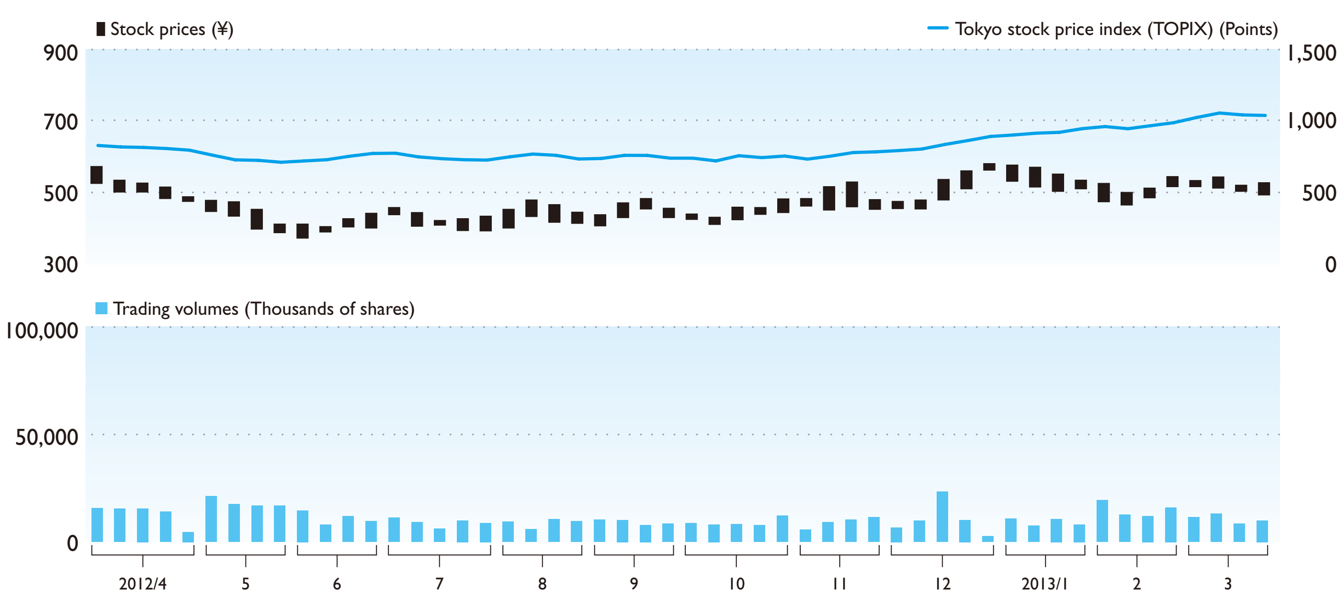
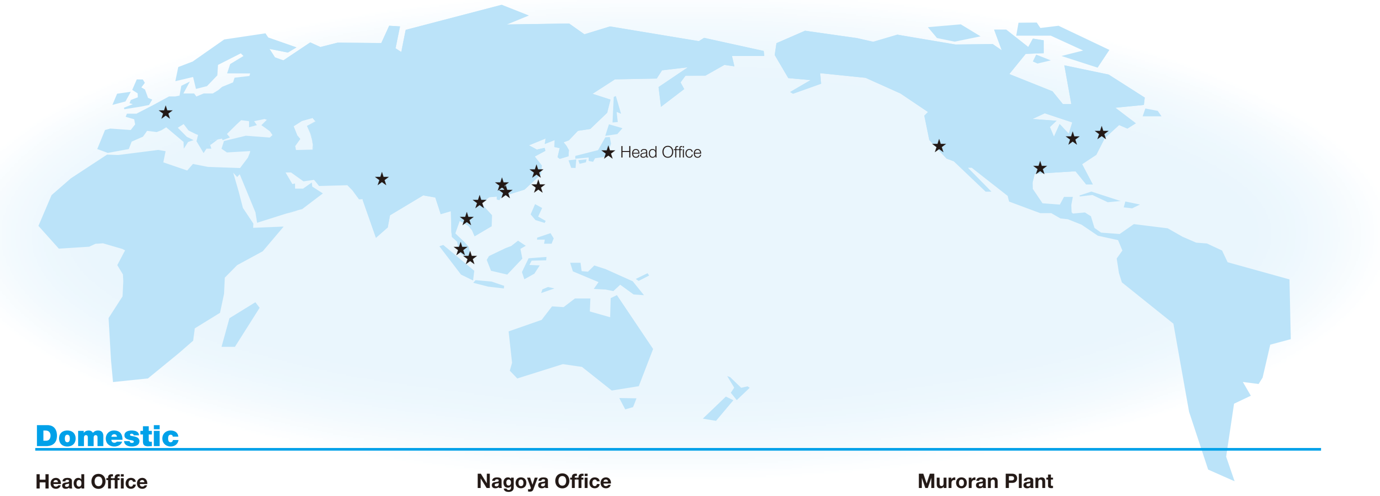
Chiyoda-ku, Tokyo, Japan

(as of March 31, 2013)

JSW's Stock Prices



Network



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