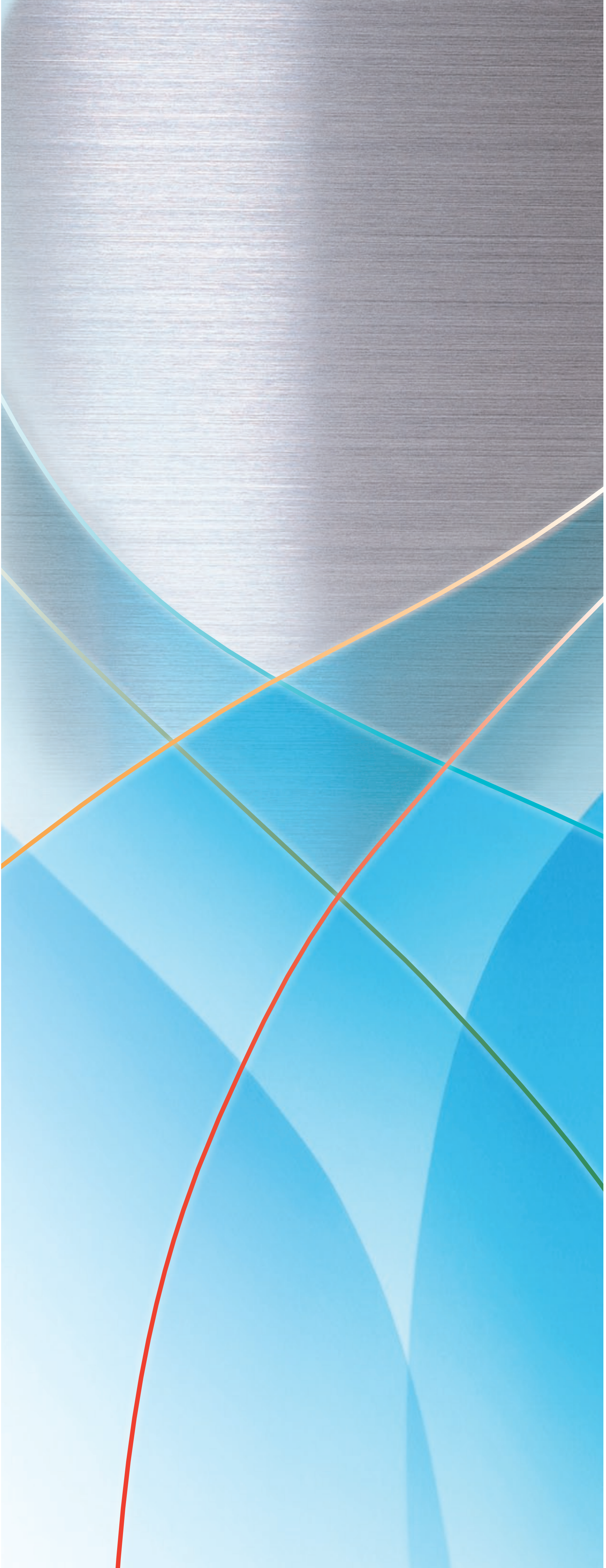


JSW

THE JAPAN STEEL WORKS, LTD.

ANNUAL REPORT 2011

FOR THE YEAR ENDED
MARCH 31, 2011

Profile

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

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

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

Contents

Forward-Looking Statements

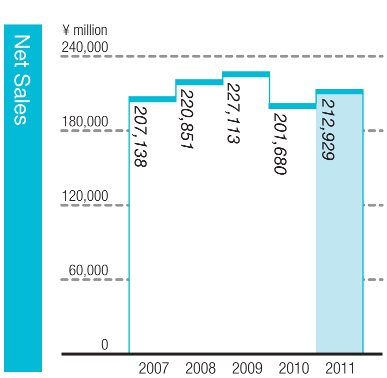
The forward-looking statements in this annual report reflect judgments based on information available at the present time. Actual results may differ widely due to various factors.

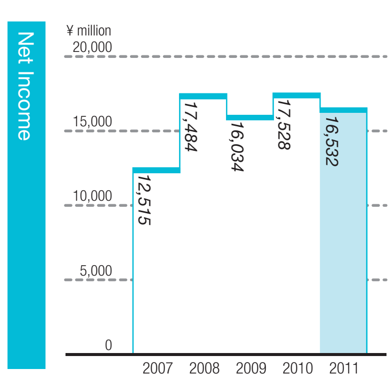
Financial Highlights (Consolidated)

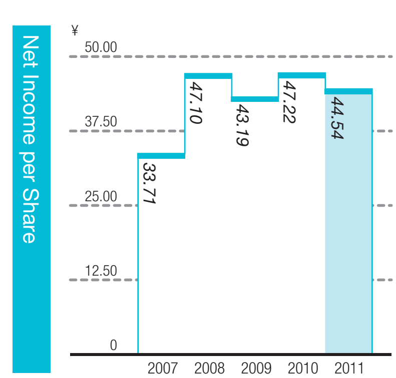
THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES   Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	**2011**
For the year:				
Net sales	**¥212,929**	¥201,680	¥227,113	**$2,560,782**
Operating income	**28,495**	32,185	36,633	**342,694**
Net income	**16,532**	17,528	16,034	**198,821**
At year-end:				
Total assets	**339,263**	322,986	296,909	**4,080,132**
Total net assets	**120,820**	111,149	90,125	**1,453,037**
Ratios:				
ROE	**14.4%**	17.6%	18.3%	
Equity ratio	**35.3%**	34.0%	30.3%	
Amounts per share (yen and U.S. dollars):				
Net income	**¥44.54**	¥47.22	¥43.19	**$0.54**
Cash dividends applicable to the year	**12.00**	12.00	12.00	**0.14**

Note: Amounts in U.S. dollars are presented solely for convenience and based on the rate of ¥83.15 = US$1.00, the rate of exchange on March 31, 2011, the date of the Company's most recent balance sheet.







Message from the President

Shifting from a performance recovery and expansion phase to a period of profit structure reconstruction

Ikuo Sato
Representative Director & President

Business performance

In fiscal 2010, the fiscal year ended March 31, 2011, Asia and particularly China as well as developing countries experienced high rates of economic growth. Together with this driving force, the overall global economy entered a recovery trajectory. Meanwhile, turning to conditions in Japan, the domestic economy showed signs of a partial favorable upswing due to such factors as an increase in export activity to developing countries. However, amid the sharp appreciation in the value of the yen and the rapid and prolonged increase in crude oil prices, conditions in Japan were greatly impacted by the massive damage caused by the Great East Japan Earthquake that struck the nation in March 2011. Despite delays in certain shipments and other minor interruptions to its business activities, the JSW Group's employees, operating bases and facilities were unaffected by the disaster. In this regard, the impact on performance for the fiscal year under review was minimal. Looking ahead, however, at the future of the electric and nuclear power sectors, mainstay areas for the Group's operations, there is little room for complacency.

Under these circumstances, the JSW Group embarked upon its medium-term management plan, "JGP2012," that covers the three-year period from fiscal 2010 in May 2010. Under this plan, JSW's business vision is to become a "company that creates change" with creative technology, and that contributes to the development of society. At the same time, the Company has identified the goal of becoming the number one global *monozukuri* company. In specific terms, JSW accordingly engaged in strategic development in each of its business fields while promoting measures aimed at strengthening its financial position. In addition to actively pursuing increased efficiency in the balance between inventory turnover and notes and accounts receivable, JSW undertook cost-cutting measures including the reduction of variable costs and further rationalization of fixed costs in an effort to lower the break-even point. Despite these endeavors, the Company was buffeted by a drop in product prices in line with the strong yen and intensifying competition as well as such factors as the increase in depreciation and amortization.

Taking into account each of the aforementioned factors, consolidated net sales in fiscal 2010 increased 5.6% compared with the previous fiscal year to ¥212,929 million (US$2,560 million) on the back of growth in the Industrial Machinery Products Business. From a profit perspective, orders and sales of industrial machinery increased. This was, however, more than offset by the upswing in depreciation and amortization relating to the Steel and Energy Products Business. As a result, operating income declined 11.5% year on year to ¥28,495 million (US$342 million). In similar fashion, ordinary income slipped 6.7% to ¥29,168 million (US$350 million) and net income fell 5.7% compared with the previous fiscal year to ¥16,532 million (US$198 million).

While orders received for the Steel and Energy Products Business were soft, results were up in the Industrial Machinery Products Business. As a result, orders received in fiscal 2010 totaled ¥216,883 million (US$ 2,608 million), an increase of 3.4% compared with the previous fiscal year.

With respect to the appropriation of profits, the Company remains committed to bolstering its internal reserves in order to fund the capital expenditure required to ensure long-term and stable business as well as technology development and to strengthen its financial position. At the same time, JSW will continue to promote the payment of stable and sustained dividends to its shareholders. Taking these factors into consideration, the Company has decided to pay an annual dividend at the previous fiscal year's level of ¥12 per share for the fiscal year under review.

Forecasts for fiscal 2011

Looking ahead, Japan's economy is projected to pick up on the back of the positive shift in the global economy. Despite these favorable conditions, the future outlook remains shrouded in uncertainty due to the inherent downside risks associated with the impacts of

Message from the President

damage from the Great East Japan Earthquake. The JSW Group has positioned efforts to minimize the negative impact of a global-scale review of nuclear power policies as a key management priority in fiscal 2011. In this context, plans are in place to revise its current medium-term management plan and to formulate a new plan beginning the fiscal year ending March 31, 2013.

On an individual business segment basis, orders received for power plant components are expected to decrease. Orders received for plastics manufacturing and processing machinery, on the other hand, are forecast to increase. Sales of pressure vessels for oil refinery use are anticipated to decline. In addition to a projected upswing in sales of power plant components and clad steel pipes for natural gas field pipeline use, results from plastics manufacturing and processing machinery and from plastic injection molding machines are expected to improve. Accounting for each of the aforementioned factors, net sales, operating income, ordinary income and net income are forecast to total ¥225,000 million, ¥19,500 million, ¥20,000 million and ¥11,500 million, respectively, in fiscal 2011. However, as previously identified, JSW's performance is susceptible to the impact of fluctuations in global nuclear power generation plans. These plans are anticipated to change with time, and accordingly the Company will continuously reassess and review its numerical targets as and when required based on an analysis of conditions.

Despite substantial fluctuations in its operating environment, the JSW Group will continue to expand its growth platform by further upgrading and enhancing its proprietary technologies while actively reconstructing its profit structure. As we work toward achieving our established goals, I ask for the continued understanding and support of all shareholders.

June 2011

Ikuo Sato
Representative Director & President

Topics

Commenced the Manufacture and Sale of Finished Injection Molding Machines in China

JSW established JSW Machinery (Ningbo) Co., Ltd., a subsidiary in Ningbo, Zhejiang Province, for the purpose of manufacturing finished machinery in December 2010. The company began manufacturing small and medium-scale standard machinery in January 2011 and made its first shipment to a local customer in spring.

Against the backdrop of burgeoning demand for high-quality plastic molded products in China, calls from the market for injection molding machines that combine quality with reliability continue to grow. In undertaking local production in China, JSW aims to steadily capture this demand and is working toward a monthly output of 60 units.

Moreover, JSW began procuring components in collaboration with Toyo Machinery & Metal Co., Ltd. in China from April 2011. This initiative is designed to ensure the smooth start-up of local production while at the same time driving down costs. In addition to this production strategy, the Company has adopted a sales and marketing strategy that entails cultivating relationships with leading local sales agents and expanding sales channels by engaging in local currency transactions.

**JSW Machinery (Ningbo) Co., Ltd.
Company Profile**

Location:
Ningbo, Zhejiang Province, China

Representative:
Tatsuyuki Arakami, President and Chief Executive Officer

Business Activities:
Manufacture of small and medium-scale electric injection molding machines

Date of Establishment:
December 7, 2010

Capital:
US$2,100,000 (100% equity interest)

A small-scale electric injection molding machine manufactured in China

Growing Demand for Excimer Laser Annealing Systems for Small and Medium-Scale Liquid Crystal Panels

Orders for excimer laser annealing systems are expanding steadily on the back of demand growth in recent years for devices equipped with small and medium-scale, high-definition panels including smart phones and tablet terminals.

Excimer laser annealing systems are used in the manufacture of high-definition liquid crystal and organic EL displays. JSW is a leading manufacturer of excimer laser annealing systems with a global market share exceeding 70%. Looking ahead, demand for small and medium-scale, high-definition panels is projected to continue increasing in the future. Offering high system productivity, a wealth of experience and comprehensive services, JSW will continue to address the needs of its customers. Moving forward, the Company will work to further expand the market by responding the requirements in the organic EL television and semiconductor fields.


Examples of high-definition panels manufactured using the Company's systems

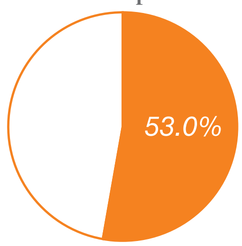

An excimer laser annealing system

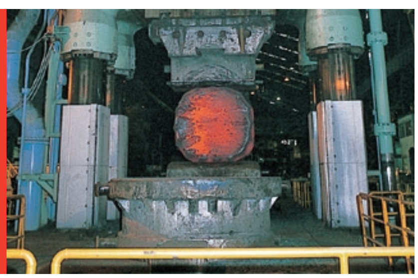
Our Business Domains

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, which is a business area developed in recent years. In the Industrial Machinery Products Business, these activities include the production and sale of plastics machinery and other machinery, magnesium alloy injection molding machines and molded products, and IT equipment. In addition, as part of our program of business diversification, we are active in regional development, information systems and other areas in the Real Estate and Other Businesses.

Steel and Energy Products Business

Sales Composition





Steel Products

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

Main Business Lines

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

Steel Plates and Structures

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

Main Business Lines

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

Wind Turbines

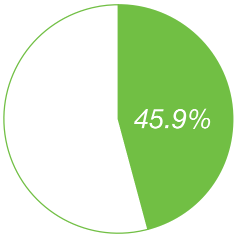
This sector deals with the entire wind turbine power generation system business, designing its own towers, blades and equipment for power generators used in large windmills (200kW). Higher power generation efficiency and ease of maintenance have been achieved for power generators through the use of permanent magnet synchronous generators and the elimination of step-up gears. This sector provides windmills of superior reliability, which are needed for Japan's unstable wind conditions.

Main Business Lines

Production, sale and maintenance of wind turbine system equipment

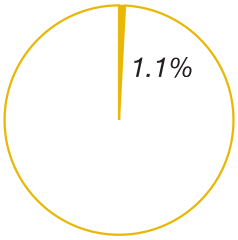
Industrial Machinery Products Business

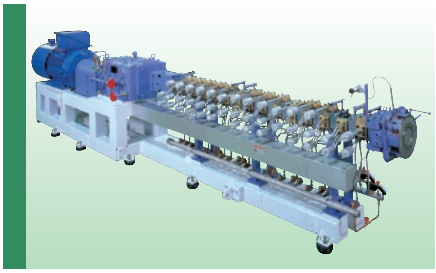
Sales Composition



Real Estate and Other Businesses

Sales Composition





Plastics Machinery

Having established a microcellular foam processing technology for greater weight reduction and heat retention, we lead the competition in developing products that address the growing sophistication and diversity of plastics materials. We have built up a solid position as a comprehensive plastics machinery manufacturer involved in everything from pelletizers to processing machinery.

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

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

Main Business Lines

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

Other Machinery

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

Main Business Lines

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

Regional Development

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

Main Business Lines

Rental of property, and development/subdivision for sale

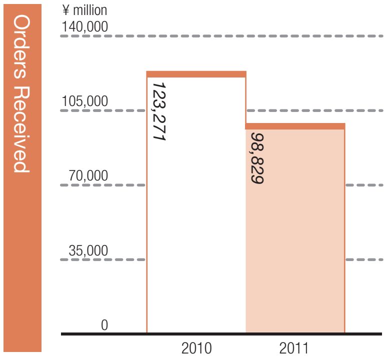
Steel and Energy Products Business

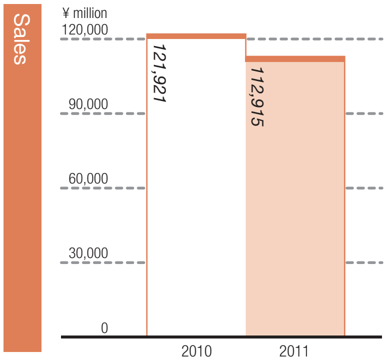
Steel Products Sector/Steel Plates and Structures Sector/ Wind Turbines Sector


Shell Flange Used for Pressure Chamber for Nuclear Power Plant


Clad Steel Plate

J82 Wind Turbine System





Performance in fiscal 2010

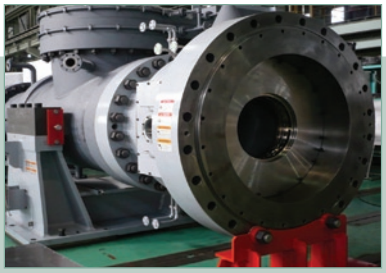
Orders came to ¥98,829 million (US$1,188 million), a year-on-year decrease of 20%. Despite a significant increase in sales of clad steel pipes for natural gas pipelines, total orders declined due to project cancellations of wind turbine system equipment and project delays of some nuclear power plants in North America.

Sales came to ¥112,915 million (US$1,357 million), a decrease of 7%. Despite brisk sales of pressure vessels for oil refineries, the decrease was attributable to a substantial decline in sales of wind turbine system equipment and the postponement of shipments of components used in power plants and of some clad steel pipes for overseas customers to next year due to the effects of the Great East Japan Earthquake.

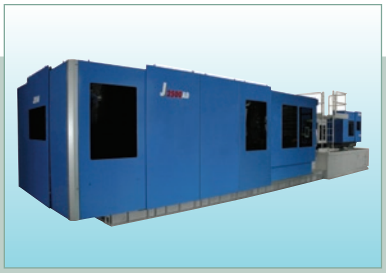
Operating income came to ¥25,059 million (US$301 million), a decline of 17%. This was due to intensifying price competition and an increase in depreciation expenses resulting from capital investments in JSW's Muroran Plant, as well as the effects of sharply rising raw material prices.

Industrial Machinery Products Business

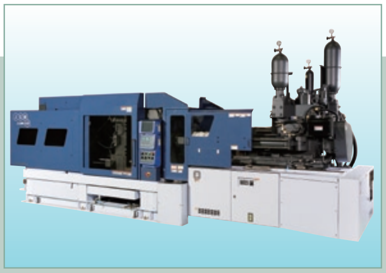
Plastics Machinery Sector/ Other Machinery Sector



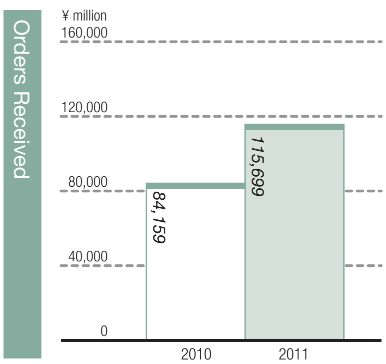
Polyolefin Extruder/Pelletizer

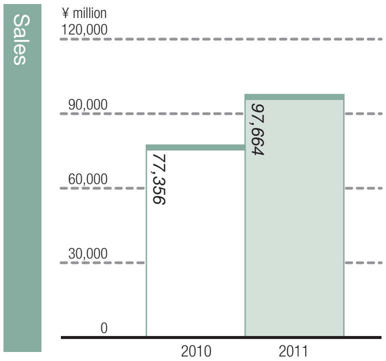


Large-Size All-Electric Injection Molding Machine (24600kN)



Magnesium Alloy Injection Molding Machine (280t)





Performance in fiscal 2010

Orders climbed 37%, to ¥115,699 million (US$1,391 million). This was attributable to a substantial increase in orders for plastic injection molding machines due to growing demand in emerging countries, especially Asia, as well as for plastics manufacturing and processing machinery, and laser annealing systems.

Sales rose 26%, to ¥97,664 million (US$1,174 million). The increase was due to brisk orders for plastic injection molding machines and for plastics manufacturing and processing machinery.

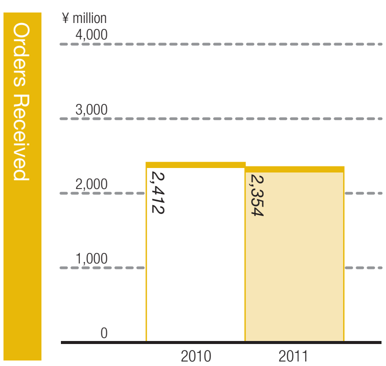
Operating income jumped 149%, to ¥3,253 million (US$39 million), owing to higher sales and successful cost-cutting activities.

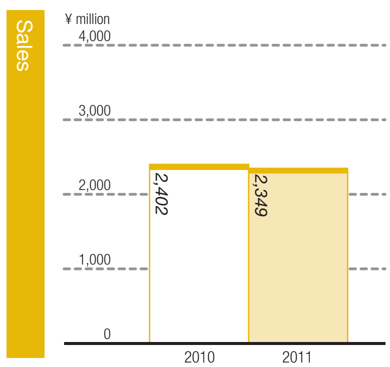
Real Estate and Other Businesses

Regional Development

Business Office Development
(Fuchu Intelligent Park)

JSW Apartment Building Development
(Fuchu, Tokyo)





Performance in fiscal 2010

Orders totaled ¥2,354 million (US$28 million), sales came to ¥2,349 million (US$28 million) and operating income amounted to ¥715 million (US$8 million).

Capital Expenditures

Capital expenditures for the reporting period totaled ¥26,722 million (US$321 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities.

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

In the Steel and Energy Products Business, capital expenditures totaled ¥25,217 million (US$303 million). This expenditure consisted largely of investments to construct new buildings and equipment for the forging and heat treatment facilities at Muroran Plant, as well as upgrade equipment at steel-making plants.

In the Industrial Machinery Products Business, capital expenditures came to ¥1,309 million (US$15 million) as a result of investments to raise machine processing efficiency at our Hiroshima Plant.

In the Real Estate and Other Businesses, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥73 million (US$0.8 million).

Capital expenditures unallocable to individual segments came to ¥121 million (US$1 million).

Research and Development


Muroran Research Laboratory


Hiroshima Research Laboratory

Research and development activities were almost entirely funded by the Company (The Japan Steel Works, Ltd.). Combined spending on research and development for the Steel and Energy Products Business and the Industrial Machinery Products Business amounted to ¥4,487 million (US$53 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), and the Hiroshima Research Laboratory (located at the Hiroshima Plant).

Our basic research and development policy is as follows.

1. Promoting the development of new products and businesses by focusing on the technological fields of new energy & energy savings, information & telecommunications, nanotechnology & materials, and new production technologies, which are directly related to our current business activities. We aim to develop our existing business by focusing on increasing and upgrading our core technologies while pursuing increased collaboration between the Research and Development Headquarters and our business divisions.
2. Promoting not only basic research aimed at future technologies and the needs of 21st century society but also research on component technologies used in existing products, we will develop these into research and development projects that will translate into new products and businesses in the future as well as into innovations and new possibilities for existing products.
3. In product development for Steel Products, we are focusing on energy fields and on further expanding the number of our many number one products while at the same time commercializing products in new fields.

In Machinery Products, we are aggressively promoting the expansion and upgrade of industrial machinery including plastics machinery and IT equipment. We will prioritize investments in business resources by defining a framework for commercialization with an eye toward mergers and acquisitions and the forging of alliances.

Overview of R&D activities by business segment

▷▷▷ Steel 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 2010, spending on steel and energy products' research and development totaled ¥1,641 million (US$19 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, and high-precision molding technology for plastic extruder and injection molding machinery. We have also been developing higher performance compressors and equipment for making film, as well as laser applications, including systems for cutting-edge laser annealing equipment used in the production of TFT (thin-film transistor) liquid crystal displays, and other applications for laser devices.

Spending on industrial machinery products' research and development totaled ¥2,845 million (US$34 million) for fiscal 2010.

Corporate Governance

Basic Stance on Corporate Governance

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

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

An Outline of Our Corporate Governance System

The Company employs the traditional statutory auditor system, comprising seven directors and four statutory auditors (hereafter, "corporate auditors"), one of whom is an outside director. Beginning from April 1, 2011, the Company reviewed its management system in order to speed up management decision-making, strengthen oversight functions and improve management of day-to-day operations and reduced the number of Board members and their term of office from two years to one year. It also introduced a corporate officer system to keep the decision-making and supervisory functions of top management separate from the day-to-day business execution functions of corporate officers. 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. The Board is also responsible for overseeing the day-to-day execution of business by directors. Meetings are also held by the Executive Board, composed of the Company's president, executive vice president, and any other person as shall be designated by the president. The Executive Board convenes once a week to deliberate on important matters and is augmented by the heads of operating divisions, plant general managers and managers at corporate headquarters to form the Management Council, which convenes once a month, as a general rule. 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 all the Company's plants and offices and to Group subsidiaries once during each half of the fiscal year, as a general rule. They exercise strict oversight with regard to the execution of Company directors' duties, such as by receiving important reports when needed from the aforementioned divisions and exchanging views with directors and key employees. Based on this, they express their views to management from an objective and neutral point of view.

Our Internal Control and Risk Management System

JSW regards it as a management issue of crucial importance to have an effective internal control system in place to ensure the correct performance of business operations. We are, therefore, working to improve our system of internal control in line with our Basic Policy on Internal Control Systems resolved at the meetings of the Board of Directors as well as detailed measures decided each year for dealing with specific internal control issues. In addition, we will respond to social changes and work to achieve a more appropriate and efficient system by properly reviewing internal control issues and responses. The points below delineate the fundamental stance adopted by the management of JSW toward the issue of internal control, and the progress achieved thus far in strengthening the Company's internal control system.

1. Improving the internal control system

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

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

JSW does not limit compliance to the prevention of illegal acts and the observance of legal regulations and the Company's Articles of Incorporation. It views compliance in the broader context of general social responsibilities and the upholding of a wide variety of rules and regulations. 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 and promoting this in an integrated manner with risk management.

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 Board of Corporate Auditors.

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

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 be the chief information security officer (CISO) to ensure 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 in 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, who concurrently serve as the managers at corporate headquarters, corporate officers, and employees understand and evaluate the risks involved in carrying out their duties in their divisions, and within the scope of their authority, as stipulated by regulations and the system for management decision approval (*ringisho*), they ensure that they execute their duties efficiently and respond to risks in an integrated manner. Important matters pertaining to risk management 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. A director or corporate officer of the Company has been placed in charge of CSR and risk management who monitors these risk management conditions in collaboration with the department responsible for internal audits and reports 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 eliminate everyday risks. In the case of critical risk situations, a crisis management headquarters is established to provide the appropriate response. In this way, we are responding to risks under both ordinary and extraordinary circumstances.

5. Ensuring efficient performance of duties

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 perform their duties integrated with risk management and also discuss, decide and report on important matters at the Board of Directors' meeting and the Executive Board.

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

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. At the same time, the Company is creating a system whereby reports and notifications can be made regarding subsidiaries' decisions on important issues and other matters of concern, and data can be collected. However, as listed subsidiaries, the Company is careful to ensure a certain amount of management independence.

At JSW, directors and corporate auditors are assigned to JSW 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, both periodic and spot audits, through the departments in charge of each subsidiary, and also by a department responsible for the internal auditing of subsidiaries. We will also directly audit operations and provide guidance for improving internal controls of subsidiaries.

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

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

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

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 these opportunities.

In keeping with the ringi system, corporate auditors are also shown the records of management decision approval (*ringisho*) for their perusal. Moreover, the auditors may request reports from directors, corporate officers or employees at any time as they deem this necessary. The timing of these reports and the method to be used are agreed beforehand through discussions between the auditors and the directors, corporate officers or employees.

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, and can give the highest priority to cooperating with 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 ensures corporate auditors collaborate closely 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. The Board of Directors and the Executive Board discuss and report on the results of those evaluations.

Policy Regarding Large-Scale Purchases of Company Shares

By resolution of a meeting of the Board of Directors of The Japan Steel Works, Ltd. held on September 10, 2007, the Company instituted a set of rules to be obeyed and procedures to be followed by any party seeking to make a tender offer for the purchase of the shares issued and outstanding of the Company. These rules and procedures were adopted under the name of Measures against Large-Scale Share Acquisitions (Measures to Prevent Takeover). Subsequent to this resolution, 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 the sustainable development of society in harmony with the ecosystem through production activities that respect environmental integrity, and by developing environmental preservation technologies.

Action plan

1. We aim to carry out environmental tasks in an organized way, and to implement environmental preservation activities continuously.
2. We will set appropriate objectives and targets for reducing the burden our activities impose on the environment 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 our product's social value to in terms of environmental protection, safety and hygiene.
   (2) We provide products and services to reduce environmental loads by obtaining a clear grasp of environmental needs and technical development.

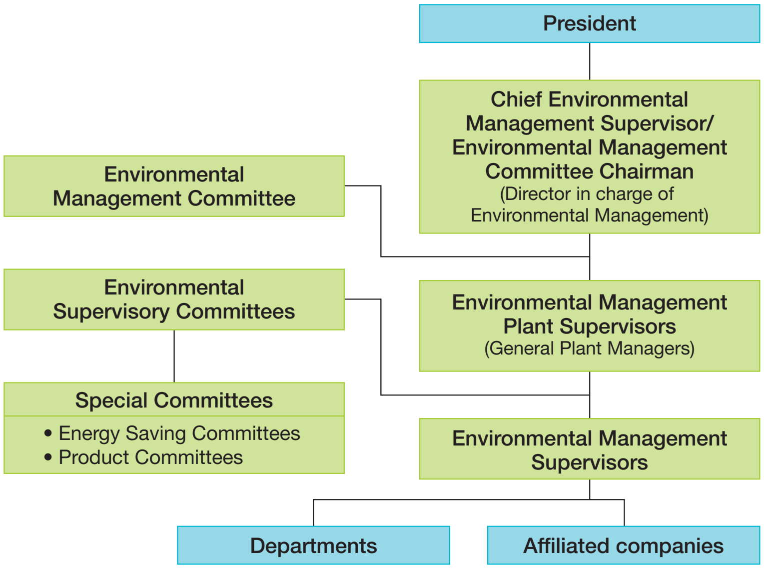
Common policy for business facilities

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

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

Environmental Management System

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



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

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

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

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

Environmental Preservation Activities

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

Reducing atmospheric emission of nickel compounds

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

Working together with the local municipal government since fiscal 2005, we have created our own voluntary controls, and have been undertaking various activities. In fiscal 2010, we started operation of a large scrap cutting facility in order to efficiently collect dust that is generated during cutting.

Safety and disaster prevention activities

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

Community contributions

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

The cleanup campaign is conducted along roads between a nearest Station and our Yokohama Plant's main gate. Employees collect empty cans and pick up plastic bottles and cigarette butts. The trash is then separated and disposed of. We intend this to be an ongoing activity.

Board of Directors, Corporate Auditors and Executive Officers

(as of June 24, 2011)

Board of Directors and Corporate Auditors

Representative Director & President
Ikuo Sato

Representative Director & Executive Vice President
Hisao Iwashita

Representative Director & Senior Managing Executive Officer
Atsushi Igarashi

Director, Senior Managing Executive Officers
Nobuyuki Toda
Yoshitomo Tanaka
Etsuo Murai

Director
Hiroo Suto (*Outside*)

Corporate Auditors
Seiichi Uehara
Yasunori Tanita
Yasuhisa Naka (*Outside*)
Akira Sato (*Outside*)

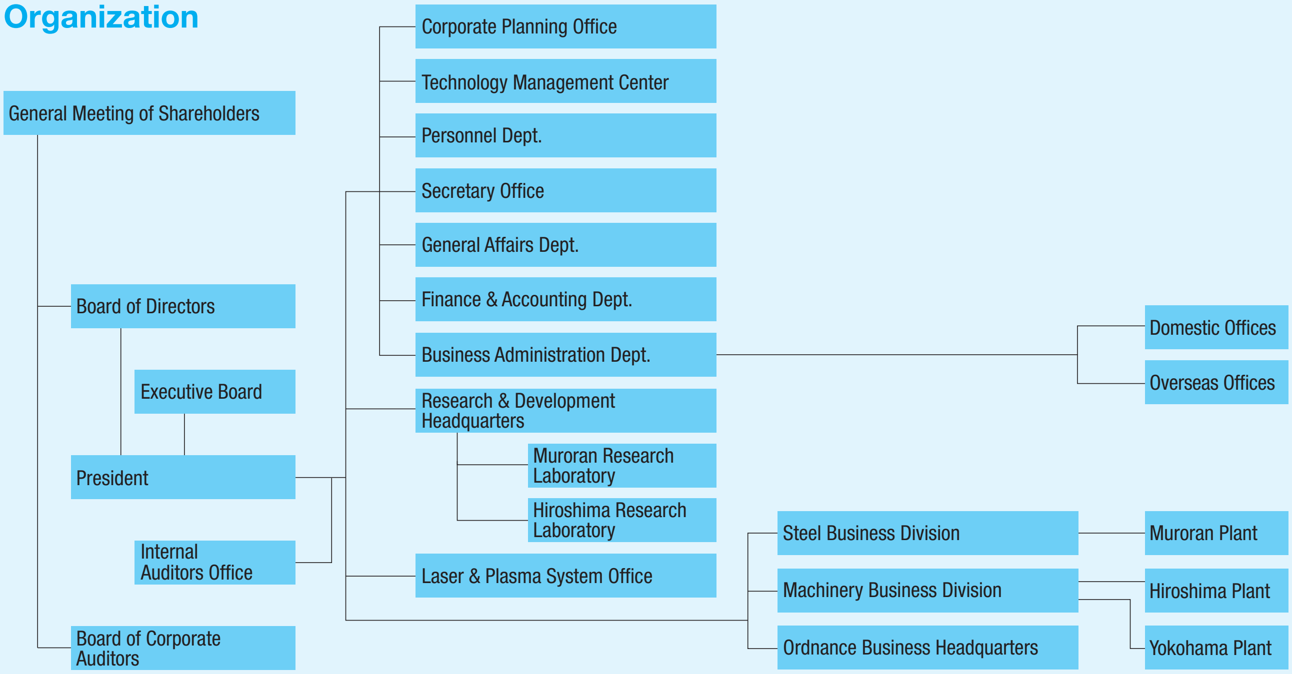
Executive Officers

Managing Executive Officers
Takao Ishido
Tamotsu Hayakawa
Yutaka Mizutani

Senior Executive Officers
Akira Kadota
Hiroshi Hamao

Executive Officers
Nobuhisa Kobayashi
Iku Kurihara
Nobuaki Shimizu
Hiroyuki Tokushige
Shin-ichi Ono
Yasuaki Nishiyama
Hirohisa Matsuo
Kazuo Kitamura

Organization



Financial Section

THE JAPAN STEEL WORKS, LTD.

Six-Year Summary

Years ended March 31

Consolidated	Millions of Yen					
	2011	2010	2009	2008	2007	2006
Net sales	**¥212,929**	¥201,680	¥227,113	¥220,851	¥207,138	¥173,353
Net income	**16,532**	17,528	16,034	17,484	12,515	6,586
Total assets	**339,263**	322,986	296,909	262,453	232,444	196,656
Total net assets	**120,820**	111,149	90,125	85,231	75,621	66,039
Amounts per share (yen):						
Net income	**¥44.54**	¥47.22	¥43.19	¥47.10	¥33.71	¥17.57

Non-Consolidated	Millions of Yen					
	2011	2010	2009	2008	2007	2006
Net sales	**¥179,325**	¥175,333	¥196,030	¥189,318	¥177,493	¥145,555
Net income	**14,527**	16,665	15,449	15,878	12,233	6,026
Total assets	**316,176**	298,783	277,301	243,433	215,693	180,734
Total net assets	**109,734**	101,615	82,449	77,958	69,907	60,602
Amounts per share (yen):						
Net income	**¥39.14**	¥44.90	¥41.62	¥42.77	¥32.95	¥16.07
Cash dividends applicable to the year	**¥12.00**	¥12.00	¥12.00	¥12.00	¥9.00	¥5.00

Contents

Financial Performance (Consolidated)

Operating Results

Net Sales

Net sales increased ¥11,249 million, or 5.6%, year on year, to ¥212,929 million (US$2,560 million) in the reporting period. This was due to an increase in the Industrial Machinery Products Business.

Operating Income

Operating income declined ¥3,690 million, or 11.5%, to ¥28,495 million (US$342 million). This decrease was mainly attributable to a more efficient balance between inventory turnover and notes and accounts receivable as a measure to strengthen our financial position, as well as to aggressive cost-cutting including improved variable costs and further reductions in fixed costs as efforts to lower the break-even point, both of which were more than offset by the appreciation of the yen, lower product price as a result of intensified competition, as well as increased depreciation and amortization.

Net Income

Net income decreased ¥996 million, or 5.7%, to ¥16,532 million (US$198 million).

Geographical Information

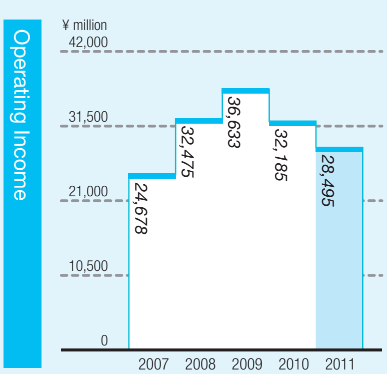
Sales in Japan came to ¥99,070 million (US$1,191 million), and sales in China and South Korea were ¥29,836 million (US$358 million) and ¥21,810 million (US$262 million) respectively. Sales in North America were ¥10,248 million (US$123 million), while sales in other regions were ¥51,963 million (US$624 million).

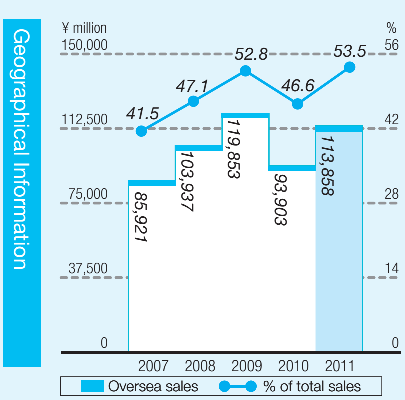
Cash Flows

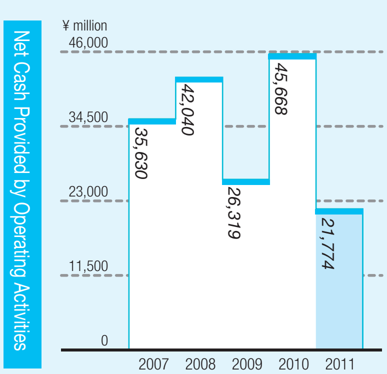
Cash and cash equivalents stood at ¥41,116 million (US$494 million) at the reporting term-end, down ¥4,486 million year on year after adjusting noncash items. This was attributable to increases in capital investments for the enhancement of production efficiency as well as in working capital, which outweighed the posting of income before income taxes and minority interests in the amount of ¥27,923 million, compared with ¥29,603 million for the previous term, in addition to depreciation and amortization, which is a noncash item, as well as proceeds from long-term debt.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥21,774 million (US$261 million), compared with ¥45,668 million in the previous term. This was mainly







due to the posting of ¥27,923 million in income before income taxes and minority interests, as well as depreciation and amortization in the amount of ¥20,003 million, which was not a physical cash outflow, and an increase in working capital and other factors.

Cash Flow from Investing Activities

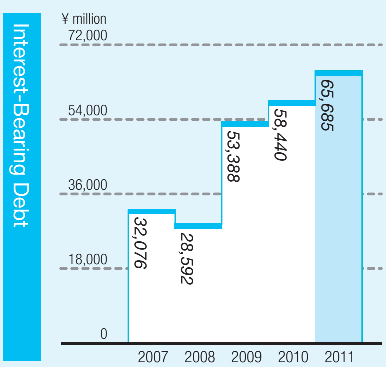
Net cash used in investing activities amounted to ¥28,238 million (US$339 million), compared with ¥37,287 million for the previous term. This was due mainly to an investment of ¥27,626 million in increase in tangible and intangible assets for the purpose of raising production efficiency.

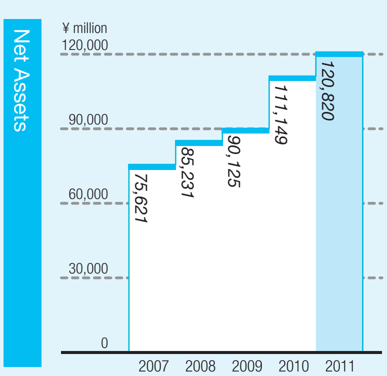
Cash Flow from Financing Activities

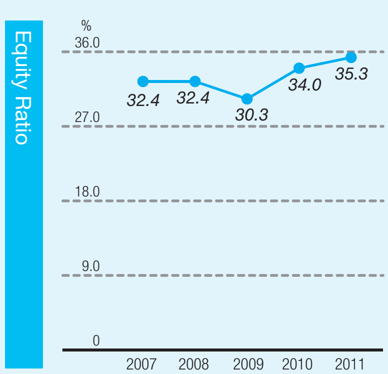
Net cash provided by financing activities amounted to ¥2,116 million (US$25 million) compared with a net cash outflow of ¥2,687 million for the previous term. This net cash inflow resulted from an inflow of ¥10,420 million from long-term debt, which exceeded an outflow of ¥4,454 million in cash dividend paid.

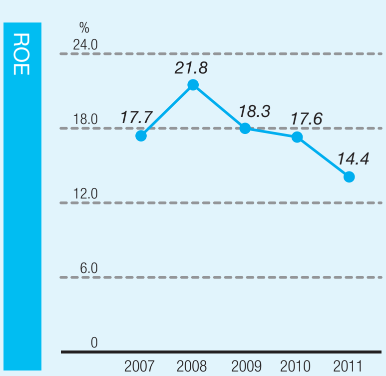
Financial Position

Total assets as of the end of March 2011 stood at ¥339,263 million (US$4,080 million), up ¥16,277 million, or 5.0%, from the previous term-end. This was due to an increase in noncurrent assets from the acquisition of such property, plant and equipment as buildings and structures as well as machinery and transport equipment as a result of capital expenditures, mainly in the Steel and Energy Products Business, in addition to an increase in current assets owing to an increase in work in process. Liabilities at the reporting term-end stood at ¥218,443 million (US$2,627 million), up ¥6,606 million, or 3.1%, over the previous term-end. This was largely attributable to an increase in long-term debt. Interest-bearing debt stood at ¥65,685 million (US$789 million), up ¥7,244 million from the previous fiscal year. Net assets at the reporting term-end totaled ¥120,820 million (US$1,453 million), for an increase of ¥9,671 million, or 8.7%, over the previous term-end.









Consolidated Balance Sheets

March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash on hand and in banks (Notes 8, 15 and 17)	**¥ 41,187**	¥ 45,646	**$ 495,334**
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	**1,251**	708	**15,045**
Trade (Notes 8 and 17)	**43,998**	41,734	**529,140**
Other	**1,608**	1,228	**19,339**
Less allowance for doubtful accounts	**(208)**	(281)	**(2,502)**
Inventories (Note 4)	**82,241**	69,627	**989,068**
Deferred tax assets (Note 21)	**6,852**	4,206	**82,405**
Other current assets	**8,535**	8,648	**102,646**
Total current assets	**185,467**	171,518	**2,230,511**
Property, plant and equipment, at cost (Notes 5, 6 and 8)**:**			
Land	**11,381**	11,448	**136,873**
Buildings and structures	**96,665**	84,634	**1,162,538**
Machinery and equipment	**139,417**	119,904	**1,676,693**
Leased assets	**8,339**	8,551	**100,289**
Construction in progress	**2,631**	11,564	**31,642**
	258,434	236,102	**3,108,046**
Less accumulated depreciation	**(140,893)**	(124,936)	**(1,694,444)**
Property, plant and equipment, net	**117,540**	111,166	**1,413,590**
Intangible assets	**1,005**	1,236	**12,087**
Investments, long-term loans and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**875**	737	**10,523**
Investment securities (Notes 17 and 18)	**27,613**	31,710	**332,087**
Other long-term loans receivable	**111**	61	**1,335**
Deferred tax assets (Note 21)	**2,075**	1,934	**24,955**
Other assets	**4,772**	5,036	**57,390**
Less allowance for doubtful accounts	**(198)**	(415)	**(2,381)**
Total investments, long-term loans and other assets	**35,249**	39,064	**423,921**
Total assets	**¥339,263**	¥322,986	**$4,080,132**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 3) 2011
Current liabilities:			
Short-term borrowings (Notes 8 and 17)	**¥ 13,120**	¥ 13,722	**$ 157,787**
Current portion of long-term debt (Notes 8 and 17)	**2,435**	12,694	**29,284**
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**81**	34	**974**
Trade (Note 17)	**44,932**	36,197	**540,373**
Other	**6,384**	7,556	**76,777**
Advances received for products	**31,024**	42,131	**373,109**
Accrued income taxes (Note 21)	**7,979**	6,436	**95,959**
Other current liabilities (Note 8)	**27,600**	23,965	**331,930**
Total current liabilities	**133,558**	142,738	**1,606,230**
Long-term liabilities:			
Long-term debt (Notes 8 and 17)	**50,130**	32,025	**602,886**
Accrued retirement benefits (Note 20):			
For employees	**9,339**	8,520	**112,315**
For directors and corporate auditors	**199**	161	**2,393**
Deferred tax liabilities (Note 21)	**1,720**	2,661	**20,686**
Other long-term liabilities (Note 8)	**23,494**	25,730	**282,550**
Total long-term liabilities	**84,884**	69,098	**1,020,854**
Net assets:			
Shareholders' equity (Note 14)			
Common stock:			
Authorized — 1,000,000,000 shares			
Issued — 371,463,036 shares	**19,694**	19,694	**236,849**
Capital surplus	**5,426**	5,425	**65,256**
Retained earnings	**94,779**	82,701	**1,139,856**
Treasury stock, at cost (299,234 shares in 2011 and 287,708 shares in 2010)	**(224)**	(213)	**(2,694)**
Total shareholders' equity	**119,676**	107,607	**1,439,278**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	**687**	2,949	**8,262**
Unrealized gain (loss) from hedging instruments	**102**	(213)	**1,227**
Translation adjustments	**(586)**	(425)	**(7,048)**
Total accumulated other comprehensive income	**203**	2,310	**2,441**
Minority interests	**940**	1,231	**11,305**
Total net assets	**120,820**	111,149	**1,453,037**
Total liabilities and net assets	**¥339,263**	¥322,986	**$4,080,132**

THE JAPAN STEEL WORKS, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Net sales	**¥212,929**	¥201,680	**$2,560,782**
Cost of sales (Note 10)	**155,433**	143,708	**1,869,308**
Gross profit	**57,496**	57,971	**691,473**
Selling, general and administrative expenses (Note 10)	**29,000**	25,786	**348,767**
Operating income	**28,495**	32,185	**342,694**
Other income (expenses):			
Interest and dividend income	**484**	445	**5,821**
Interest expense	**(739)**	(694)	**(8,888)**
Other, net (Note 11)	**(316)**	(2,333)	**(3,800)**
	(571)	(2,582)	**(6,867)**
Income before income taxes and minority interests	**27,923**	29,603	**335,815**
Income taxes (Note 21)**:**			
Current	**14,075**	12,142	**169,272**
Deferred	**(2,396)**	(89)	**(28,815)**
Income before minority interests	**16,244**	—	**195,358**
Minority interests in net income (loss) of consolidated subsidiaries	**(287)**	22	**(3,452)**
Net income (Note 26)	**¥ 16,532**	¥ 17,528	**$ 198,821**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Income before minority interests	**¥16,244**	¥—	**$195,358**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	**(2,261)**	—	**(27,192)**
Unrealized gain (loss) from hedging instruments	**315**	—	**3,788**
Translation adjustments	**(161)**	—	**(1,936)**
Total other comprehensive income (Note 13)	**(2,107)**	—	**(25,340)**
Comprehensive income	**¥14,137**	¥—	**$170,018**
Total comprehensive income attributable to:			
Shareholders of The Japan Steel Works, Ltd.	**¥14,426**	—	**$173,494**
Minority interests	**¥ (288)**	¥—	**$ (3,464)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	2011
Common stock:			
Balance at beginning of year	¥ 19,694	¥ 19,694	$ 236,849
Balance at end of year	¥ 19,694	¥ 19,694	$ 236,849
Capital surplus:			
Balance at beginning of year	¥ 5,425	¥ 5,424	$ 65,244
Disposal of treasury stock	0	1	0
Balance at end of year	¥ 5,426	¥ 5,425	$ 65,256
Retained earnings:			
Balance at beginning of year	¥ 82,701	¥ 69,627	$ 994,600
Cash dividends paid	(4,454)	(4,454)	(53,566)
Net income	16,532	17,528	198,821
Balance at end of year	¥ 94,779	¥ 82,701	$1,139,856
Treasury stock, at cost:			
Balance at beginning of year	¥ (213)	¥ (182)	$ (2,562)
Purchases of treasury stock	(12)	(32)	(144)
Disposal of treasury stock	2	1	24
Balance at end of year	¥ (224)	¥ (213)	$ (2,694)
Total shareholders' equity:			
Balance at beginning of year	¥107,607	¥ 94,563	$1,294,131
Cash dividends paid	(4,454)	(4,454)	(53,566)
Net income	16,532	17,528	198,821
Purchases of treasury stock	(12)	(32)	(144)
Disposal of treasury stock	3	3	36
Balance at end of year	¥119,676	¥107,607	$1,439,278
Unrealized holding gain (loss) on securities:			
Balance at beginning of year	¥ 2,949	¥ (3,868)	$ 35,466
Net changes in items other than those in shareholders' equity	(2,261)	6,818	(27,192)
Balance at end of year	¥ 687	¥ 2,949	$ 8,262
Unrealized gain (loss) from hedging instruments:			
Balance at beginning of year	¥ (213)	¥ (379)	$ (2,562)
Net changes in items other than those in shareholders' equity	315	165	3,788
Balance at end of year	¥ 102	¥ (213)	$ 1,227
Translation adjustments:			
Balance at beginning of year	¥ (425)	¥ (435)	$ (5,111)
Net changes in items other than those in shareholders' equity	(160)	9	(1,924)
Balance at end of year	¥ (586)	¥ (425)	$ (7,048)
Total accumulated other comprehensive income:			
Balance at beginning of year	¥ 2,310	¥ (4,683)	$ 27,781
Net changes in items other than those in shareholders' equity	(2,106)	6,994	(25,328)
Balance at end of year	¥ 203	¥ 2,310	$ 2,441
Minority interests:			
Balance at beginning of year	¥ 1,231	¥ 246	$ 14,805
Net changes in items other than those in shareholders' equity	(290)	984	(3,488)
Balance at end of year	¥ 940	¥ 1,231	$ 11,305
Total net assets:			
Balance at beginning of year	¥111,149	¥ 90,125	$1,336,729
Cash dividends paid	(4,454)	(4,454)	(53,566)
Net income	16,532	17,528	198,821
Purchases of treasury stock	(12)	(32)	(144)
Disposal of treasury stock	3	3	36
Net changes in items other than those in shareholders' equity	(2,397)	7,979	(28,827)
Balance at end of year	¥120,820	¥111,149	$1,453,037

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	**2011**
Operating activities:			
Income before income taxes and minority interests	**¥27,923**	¥29,603	**$335,815**
Depreciation and amortization	**20,021**	14,512	**240,782**
Impairment loss	**197**	—	**2,369**
Interest and dividend income	**(484)**	(445)	**(5,821)**
Interest expense	**739**	693	**8,888**
Bond issuance expenses	**50**	—	**601**
Equity in (earnings) losses of affiliates	**0**	(1)	**0**
Loss on abandonment of investments	**—**	680	**—**
Loss on write-downs of investment securities	**340**	105	**4,089**
Amortization of net retirement benefit obligation at transition	**—**	765	**—**
Loss on disposal of tangible and intangible assets	**481**	847	**5,785**
Gain and loss on sales of property, plant and equipment	**(15)**	(11)	**(180)**
Loss on adjustment for change in accounting principal for asset retirement obligations	**236**	—	**2,838**
Changes in operating assets and liabilities:			
Trade assets (Note 20)	**(16,489)**	8,672	**(198,304)**
Trade liabilities	**11,255**	(7,708)	**135,358**
Inventories (Note 4)	**(12,614)**	4,957	**(151,702)**
Other	**2,897**	3,012	**34,841**
Subtotal	**34,539**	55,683	**415,382**
Interest and dividends received	**487**	447	**5,857**
Interest paid	**(725)**	(698)	**(8,719)**
Income taxes paid	**(12,527)**	(9,763)	**(150,655)**
Net cash provided by operating activities	**21,774**	45,668	**261,864**
Investing activities:			
Increase in tangible and intangible assets	**(27,626)**	(35,892)	**(332,243)**
Decrease in tangible and intangible assets	**157**	20	**1,888**
Purchases of investment securities	**(41)**	(1,673)	**(493)**
Proceeds from sales of investment securities	**0**	19	**0**
Reimbursement of long-term deposits on contracts	**(487)**	(436)	**(5,857)**
(Increase) decrease in short-term loans receivable	**2**	(1)	**24**
Long-term loans receivable made	**(56)**	—	**(673)**
Purchase of investment of unconsolidated subsidiaries	**(174)**	(35)	**(2,093)**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	754	**—**
Purchases of common stock of affiliates	**—**	(3)	**—**
Other	**(12)**	(38)	**(144)**
Net cash used in investing activities	**(28,238)**	(37,287)	**(339,603)**
Financing activities (Notes 8 and 17)**:**			
Net increase (decrease) in short-term borrowings	**(602)**	5,467	**(7,240)**
Increase in long-term debt	**10,420**	900	**125,316**
Decrease in long-term debt	**(1,087)**	(2,322)	**(13,073)**
Proceeds from issuance of bonds	**9,949**	—	**119,651**
Redemption of bonds	**(10,000)**	—	**(120,265)**
Cash dividend paid	**(4,454)**	(4,454)	**(53,566)**
Acquisition of treasury stock	**(12)**	(32)	**(144)**
Proceeds from sales of treasury stock	**3**	3	**36**
Repayments of finance lease obligations	**(2,097)**	(2,241)	**(25,219)**
Other	**(2)**	(6)	**(24)**
Net cash provided by (used in) financing activities	**2,116**	(2,687)	**25,448**
Effect of exchange rate changes on cash and cash equivalents	**(138)**	5	**(1,660)**
(Decrease) increase in cash and cash equivalents	**(4,486)**	5,698	**(53,951)**
Cash and cash equivalents at beginning of the year	**45,603**	39,904	**548,443**
Cash and cash equivalents at end of the year (Notes 15 and 17)	**¥41,116**	¥45,603	**$494,480**

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 (collectively, the "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, 2011, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 37 and 1 (37 and 1 in 2010), respectively. Effective March 31, 2010, Meiki Co., Ltd. was included in the scope of consolidation because the Company's ownership increased to 50.96%.

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

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

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method have been amortized by 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 or net realizable value at cost determined principally by the specific identification method. Raw materials are stated at the lower of cost or replacement cost determined principally by the moving average method.

(e) Short-term investments and investment securities

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

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

(f) Allowance for doubtful accounts

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

(g) Provision for warranties for completed construction

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

(h) Provision for loss on construction contracts

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

(i) Property, plant and equipment and depreciation

Property, plant and equipment is stated on the basis of cost. Depreciation of property, plant and equipment is determined by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings.

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

(j) Bond issuance expenses

Bond issuance expenses are charged to income as incurred.

(k) Leases and depreciation

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

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

(l) Retirement benefits

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

Accrued retirement benefits for employees at March 31, 2011 and 2010 have been provided primarily at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for the unrecognized net retirement benefit obligation at transition, prior service cost and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of ten years by the straight-line method.

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

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

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

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

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated balance sheets at March 31, 2011 and 2010 with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Research and development expenses

Research and development expenses are charged to income when incurred.

(o) Revenue and cost recognition

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

Effective April 1, 2009, 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 continues to be applied to contracts for which the percentage of completion cannot be reliably estimated.

For construction contracts effective from the year ended March 31, 2010, the Company and its domestic subsidiaries apply the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Implementation Guidance of Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). Construction for which the percentage of completion can be reliably estimated is recognized by the percentage-of-completion method, and all other construction is recognized by the completed-contract method.

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

(p) 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 if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

(q) Consumption tax

Accounting treatment of consumption tax is the tax exclusion method.

(r) Provision for directors’ bonuses

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

(s) Provision for directors’ retirement benefits

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

(t) Adoption of accounting standard for asset retirement obligations

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Implementation Guidance of Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

Operating income decreased by ¥33 million ($397 thousand) and income before income taxes and minority interests decreased by ¥269 million ($3,235 thousand) as a result of the adoption of this standard.

(u) Changes in presentation

Effective from fiscal year 2011, “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on December 26, 2008) and “Cabinet Office Ordinance for Partial Amendment of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements” (Cabinet Office Ordinance No. 5 issued on March 24, 2009) have been applied. As a consequence, a new line item has been presented on the consolidated statements of income as “income before minority interests.”

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 ¥83.15 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2011. 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, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Real estate held for sale	**¥ 21**	¥ 33	**$ 253**
Finished products	**1,161**	1,370	**13,963**
Work in process	**75,008**	62,187	**902,081**
Raw materials and supplies	**6,050**	6,036	**72,760**
Total	**¥82,241**	¥69,627	**$989,068**

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 ¥1,257 million ($15,117 thousand) at March 31, 2011 and ¥353 million at March 31, 2010.

5. Depreciation

Depreciation expense on property, plant and equipment for the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Depreciation expense	**¥20,003**	¥14,422	**$240,565**

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, 2011 and 2010 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Accumulated advanced depreciation expense	**¥1,301**	¥951	**$15,646**

7. Contingent Liabilities

Contingent liabilities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
As endorsers of trade notes receivable:			
Endorsed to other	**¥ 78**	¥ 72	**$ 938**
As guarantors of loans:			
Muroran Environmental Plant Service Co., Ltd.	**588**	591	**7,072**
Gotsu Wind Power Co., Ltd.	**1,757**	1,881	**21,130**
Meiko Co., Ltd.	**1**	4	**12**
Uncollected receivables in leasing companies	**32**	64	**385**
Medical Corporation Bokoi	**—**	1,500	**—**
Employees and other	**498**	633	**5,989**
Total	**¥2,956**	¥4,746	**$35,550**

8. Short-Term Borrowings and Long-Term Debt

All short-term borrowings, with interest at annual rates ranging from 0.64% to 1.975% at March 31, 2011 and 0.63% to 4.625% at March 31, 2010, were unsecured.

Long-term debt at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Loans from banks and insurance companies with interest at annual rates ranging from 0.22% to 2.26%	**¥38,170**	¥28,837	**$459,050**
Less those maturing within one year	**(635)**	(667)	**(7,637)**
Lease obligations	**4,396**	5,882	**52,868**
Less those maturing within one year	**(1,800)**	(2,026)	**(21,648)**
0.92% straight bonds, due 2010	**—**	10,000	**—**
Less those maturing within one year	**—**	(10,000)	**—**
0.48% straight bonds, due 2015	**10,000**	—	**120,265**
Long-term indebtedness reflected in the consolidated balance sheets	**¥50,130**	¥32,025	**$602,886**

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2011 are summarized as follows:

	Long-term debt		Lease obligations	
Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 635	$ 7,637	¥1,800	$21,648
2013	13,670	164,402	1,384	16,645
2014	10,370	124,714	645	7,757
2015	2,550	30,667	345	4,149
2016	10,830	130,247	145	1,744
2017 and thereafter	115	1,383	74	890

The assets pledged as collateral for long-term debt at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Cash on hand and in banks	**¥ 28**	¥ 206	**$ 337**
Notes receivable-trade	**—**	102	**—**
Property, plant and equipment, at net book value	**2,563**	4,533	**30,824**

9. Liquidation of Accounts Receivable

Accounts receivable transferred to others for liquidation at March 31, 2011 and 2010 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Accounts receivable	**¥6,017**	¥5,933	**$72,363**

10. Research and Development Expenses

Research and development expenses included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Research and development expenses	**¥4,487**	¥4,141	**$53,963**

11. Other Income (Expenses) — Other, Net

The details of "Other, net" in "Other income (expenses)" for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Gain on sales of raw materials and supplies	**¥ 308**	¥ 214	**$ 3,704**
Gain on contract cancellation	**1,073**	—	**12,904**
Amortization of negative goodwill	**71**	—	**854**
Bond issuance expenses	**(50)**	—	**(601)**
Amortization of net retirement benefit obligation at transition	**—**	(693)	**—**
Foreign exchange losses	**(308)**	—	**(3,704)**
Provision for warranties for completed construction	**(620)**	(338)	**(7,456)**
Gain on sales of property, plant and equipment	**16**	12	**192**
Loss on sales or disposal of property, plant and equipment	**(482)**	(847)	**(5,797)**
Loss on write-downs of investment securities	**(340)**	(105)	**(4,089)**
Impairment loss	**(197)**	—	**(2,369)**
Loss on abandonment of investments	**—**	(680)	**—**
Loss on adjustment for change in accounting principal for asset retirement obligations	**(236)**	—	**(2,838)**
Other, net	**448**	105	**5,388**
Total	**¥ (316)**	¥(2,333)	**$ (3,800)**

12. 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, 2011 was as follows:

Location	Use	Classification
Chofu-shi, Tokyo prefecture and other	Idle Assets	Buildings, Structures, Land and other
Yokohama-shi, Kanagawa prefecture and other (a subsidiary engaged in the Industrial Machinery Products)	Operating Assets	Buildings and Land

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

Regarding the above assets, the Companies marked down the book value of asset groups where there had been a significant decline in profitability and market price to the recoverable amount.

The resulting impairment loss for the year ended March 31, 2011 was as follows:

Classification	Millions of Yen	Thousands of U.S. Dollars
Buildings	**¥146**	**$1,756**
Structures	**0**	**0**
Equipment	**0**	**0**
Land	**50**	**601**
Total	**¥197**	**$2,369**

With respect to operating assets, the Companies principally use value in use for calculating the recoverable amount, whereas idle assets are recorded at net realizable value. The discount rate used for computing the value in use was mainly 6.6% for the year ended March 31, 2011.

13. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2010:

Year ended March 31, 2010

	Millions of Yen	Thousands of U.S. Dollars
Unrealized holding gain (loss) on securities	¥ 6,818	$ 81,996
Unrealized gain (loss) from hedging instruments	165	1,984
Translation adjustments	11	132
Total other comprehensive income	¥ 6,995	$ 84,125
Total comprehensive income attributable to:		
Shareholders of The Japan Steel Works, Ltd.	¥24,522	$294,913
Minority interests	23	277

(Additional Information)

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

However, the amounts of accumulated other comprehensive income and total accumulated other comprehensive income in the accompanying balance sheet at March 31, 2010 correspond to the amounts for valuation and translation adjustments and total valuation and translation adjustments, respectively.

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

Year ended March 31, 2011

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

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

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

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

(b) Dividends

(1) Dividends paid to shareholders

(i) Resolution:	Annual general meeting of shareholders held on June 25, 2010
Type of shares:	Common stock
Total amount of dividends:	¥2,227 million ($26,783 thousand)
Dividends per share:	¥6 ($0.072)
Cut-off date:	March 31, 2010
Effective date:	June 28, 2010

(ii) Resolution:	Meeting of Board of Directors held on November 8, 2010
Type of shares:	Common stock
Total amount of dividends:	¥2,227 million ($26,783 thousand)
Dividends per share:	¥6 ($0.072)
Cut-off date:	September 30, 2010
Effective date:	December 6, 2010

(2) Dividends of which the cut-off date was in the year ended March 31, 2011, but the effective date is in the following fiscal year

Resolution:	Annual general meeting of shareholders held on June 24, 2011
Type of shares:	Common stock
Total amount of dividends:	¥2,226 million ($26,771 thousand)
Dividends per share:	¥6 ($0.072)
Cut-off date:	March 31, 2011
Effective date:	June 27, 2011
Source of dividends:	Retained earnings

Year ended March 31, 2010

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

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

Notes 1: The increase in treasury stock — common stock of 28,868 was due to the acquisition of fractional shares of less than one unit.

2: The decrease in treasury stock — common stock of 2,500 was due to sales of fractional shares of less than one unit.

(b) Dividends

(1) Dividends paid to shareholders

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

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

(2) Dividends of which the cut-off date was in the year ended March 31, 2010, but the effective date was in the following fiscal year

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

15. 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, 2011 and 2010 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Cash on hand and in banks in the consolidated balance sheets	**¥41,187**	¥45,646	**$495,334**
Investment with a maturity of three months or less from the date of acquisition	**44**	50	**529**
Time deposits with maturities of more than three months	**(116)**	(93)	**(1,395)**
Cash and cash equivalents in the consolidated statements of cash flow	**¥41,116**	¥45,603	**$494,480**

(b) Significant transactions without cash flows

Assets and liabilities regarding finance lease transactions and asset retirement obligations that have been recorded by the Company and its domestic consolidated subsidiaries at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Lease assets	**¥ 590**	¥1,088	**$ 7,096**
Lease obligations	**621**	1,145	**7,468**
Buildings and structures	**863**	—	**10,379**
Machinery and equipment	**14**	—	**168**
Asset retirement obligations	**1,132**	—	**13,614**

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

	Millions of Yen
Current assets	¥4,364
Noncurrent assets	2,175
Current liabilities	(3,223)
Noncurrent liabilities	(1,340)
Negative goodwill	(358)
Minority interests	(968)
Company's interest prior to the date of acquisition	(122)
Acquisition costs of Meiki Co., Ltd.	527
Cash and cash equivalents (Meiki Co., Ltd.)	(1,281)
Net proceeds from acquisition of Meiki Co., Ltd.	¥ 754

16. Leases

Year ended March 31, 2011

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

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	**¥2,403**	**$ 28,900**
2013 and thereafter	**7,145**	**85,929**
Total	**¥9,548**	**$114,829**

Year ended March 31, 2010

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

Year ending March 31,	Millions of Yen
2011	¥1,027
2012 and thereafter	2,138
Total	¥3,166

17. Financial Instruments

Overview

Year ended March 31, 2011

(a) Policy for financial instruments

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

(b) Types of financial instruments and related risk

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

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

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

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

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions to reduce the fluctuation risk of interest payable 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 (p).

(c) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 19 Derivative Transactions-Supplemental Explanation on Quantitative Information are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2011 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, 2011

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

	Thousands of U.S. Dollars		
	Carrying amount	Estimated fair value	Difference
Assets			
Cash on hand and in banks	**$ 495,334**	**$ 495,334**	**$ —**
Trade notes and accounts receivable	**543,560**	**543,464**	**(96)**
Securities:			
Other securities with maturity	**529**	**529**	**—**
Other securities	**312,411**	**312,411**	**—**
Total assets	**$1,351,858**	**$1,351,762**	**$ (96)**
Liabilities			
Trade notes and accounts payable	**$ 541,347**	**$ 541,347**	**$ —**
Short-term borrowings	**157,787**	**157,787**	**—**
Current portion of long-term debt	**7,637**	**7,649**	**12**
Bonds	**120,265**	**118,641**	**(1,612)**
Long-term debt	**451,413**	**451,173**	**(229)**
Total liabilities	**$1,278,449**	**$1,276,621**	**$(1,816)**
Derivatives (*)	**$ (2,057)**	**$ (2,057)**	**$ —**

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

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

Assets

Cash on hand and in banks

The carrying amount is used for bank deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables

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

Securities

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

Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings

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

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

These fair values are calculated by applying a discount rate, based on the assumed interest rate if 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 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 19, Derivative Transactions, of these notes to the consolidated financial statements.

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

	2011	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks	**¥2,257**	**$27,144**

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, 2011.

Year ended March 31, 2011

	Millions of Yen		
	Due in one year or less	Due after one year through five years	Due after five years
Cash on hand and in banks	**¥41,187**	**¥ —**	**¥—**
Trade notes and accounts receivable	**44,358**	**839**	**—**
Securities:			
Other securities with maturities	**44**	**—**	**—**
Total	**¥85,590**	**¥839**	**¥—**

	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	**$ 495,334**	**$ —**	**$—**
Trade notes and accounts receivable	**533,470**	**10,090**	**—**
Securities:			
Other securities with maturities	**529**	**—**	**—**
Total	**$1,029,345**	**$10,090**	**$—**

(iv) The redemption schedule for long-term debt

Year ended March 31, 2011

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

	Thousands of U.S. Dollars		
	Bonds	Long-term loans	Lease obligations
Due in 1 year or less	**$ —**	**$ 7,637**	**$21,648**
Due after 1 year through 2 years	**—**	**164,402**	**16,645**
Due after 2 years through 3 years	**—**	**124,714**	**7,757**
Due after 3 years through 4 years	**—**	**30,667**	**4,149**
Due after 4 years through 5 years	**120,265**	**130,247**	**1,744**
Due after 5 years	**—**	**1,383**	**890**

Overview

Year ended March 31, 2010

(a) Policy for financial instruments

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

(b) Types of financial instruments and related risk

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

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

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

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

Regarding derivatives, the Company enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Company also enters into interest rate swap transactions to reduce the fluctuation risk of interest payable 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 (p).

(c) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no available quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 19 Derivative Transactions-Supplemental Explanation on Quantitative Information are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

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

Year ended March 31, 2010

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

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

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

Assets

Cash on hand and in banks

The carrying amount is used for bank deposits without maturities, because the fair value approximates the carrying value. The fair value of time deposits in banks with maturities is calculated based on the present value of the total principal and interest discounted at a rate supposing a newly made deposit.

Trade notes and accounts receivables

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

Securities

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

Quoted market price is used for other securities.

Liabilities

Trade notes and accounts payable and short-term borrowings

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

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

These fair values are calculated by applying a discount rate, based on the assumed interest rate if 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 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 19, Derivative Transactions, of these notes to the consolidated financial statements.

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

	Millions of Yen
	2010
Unlisted stocks	¥2,217

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, 2010.

Year ended March 31, 2010

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

(iv) The redemption schedule for long-term debt

Year ended March 31, 2010

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

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

18. Securities

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 individual basis to the values are considered to be recoverable individually.

March 31, 2011

(a) Held-to-maturity securities:

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

	Thousands of U.S. Dollars		
	Fair value	Carrying amount	Unrealized gain (loss)
Fair value does not exceed carrying amount:			
Other	**$529**	**$529**	**$—**
Total	**$529**	**$529**	**$—**

(b) Other securities:

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

	Thousands of U.S. Dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Carrying amount exceeds acquisition cost:			
Stocks	**$120,782**	**$175,935**	**$55,153**
Carrying amount does not exceed acquisition cost:			
Stocks	**170,247**	**128,996**	**(41,251)**
Total	**$291,028**	**$304,943**	**$13,903**

March 31, 2010

(a) Held-to-maturity securities:

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

(b) Other securities:

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

19. Derivative Transactions

Year ended March 31, 2011

(a) Derivatives not subject to hedge accounting

None applicable

(b) Derivatives subject to hedge accounting

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

(i) Currency-related transactions

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

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		**$ 43,788**	**$2,369**	**$1,816**
	Euros		**4,101**	**349**	**(168)**
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		**$122,225**	**$ 589**	**$ (24)**
	Euros		**12,568**	**—**	**349**
	Sterling pound		**3,403**	**—**	**(84)**

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

(ii) Interest-related transactions

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

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. Dollars Contract amount		Fair value
				Over one year	
Special treatment for interest rate swaps	Receive/floating and pay/fixed	Current portion of long-term borrowings Long-term borrowings	**$278,773**	**$276,609**	(*)

(*) 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 contract 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, 2010

(a) Derivatives not subject to hedge accounting

None applicable

(b) Derivatives subject to hedge accounting

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

(i) Currency-related transactions

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		¥6,087	¥1,396	¥ (41)
	Euros		129	—	5
	Foreign exchange forward contracts	Notes and accounts payable			
	Buy:				
	U.S. dollars		¥ 117	¥ —	¥ 0
	Euros		4,042	1	(315)
	Sterling pound		139	—	(7)

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

(ii) Interest-related transactions

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

(*) 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 contract 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.

20. 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, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Retirement benefit obligation	**¥(28,507)**	¥(28,685)	**$(342,838)**
Plan assets at fair value	**14,902**	15,332	**179,218**
Unfunded retirement benefit obligation	**(13,604)**	(13,352)	**(163,608)**
Unrecognized net retirement benefit obligation at transition	**—**	—	**—**
Unrecognized actuarial loss	**5,980**	6,219	**71,918**
Unrecognized prior service cost	**554**	694	**6,663**
Net retirement benefit obligation	**(7,069)**	(6,438)	**(85,015)**
Accrued retirement benefits	**(9,339)**	(8,520)	**(112,315)**
Prepaid pension cost	**¥ 2,270**	¥ 2,082	**$ 27,300**

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥1,759**	¥1,653	**$21,155**
Interest cost	**324**	319	**3,897**
Expected return on plan assets	**(213)**	(190)	**(2,562)**
Amortization of net retirement benefit obligation at transition	**—**	765	**—**
Amortization of actuarial loss	**1,425**	1,479	**17,138**
Amortization of prior service cost	**140**	140	**1,684**
Retirement benefit expenses	**¥3,436**	¥4,166	**$41,323**

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

	2011	2010
Discount rate	**1.50%**	1.50%
Expected rate of return on plan assets	**1.50%**	1.50%

21. Income Taxes

The Company has omitted the reconciliation between the statutory tax rate and the effective tax rates for financial statement purposes for the years ended March 31, 2011 and 2010 because the difference between these rates was less than 5%.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 610**	¥ 506	**$ 7,336**
Accrued bonuses	**1,410**	1,402	**16,957**
Unrealized gain on intercompany transactions	**816**	677	**9,814**
Accrued retirement benefits for employees	**4,994**	4,032	**60,060**
Accrued retirement benefits for directors and corporate auditors	**131**	128	**1,575**
Loss on revaluation of inventory items	**748**	501	**8,996**
Loss on revaluation of financial instruments	**282**	289	**3,391**
Impairment loss	**138**	—	**1,660**
Depreciation	**1,158**	1,144	**13,927**
Amortization of deferred assets	**151**	211	**1,816**
Provision for warranties for completed construction	**693**	502	**8,334**
Provision for loss on construction contracts	**2,076**	737	**24,967**
Asset retirement obligations	**555**	—	**6,675**
The percentage-of-completion method	**727**	—	**8,743**
PCB disposal expenses	**—**	162	**—**
Tax loss carry forwards	**2,640**	2,306	**31,750**
Deferred loss on hedges	**21**	199	**253**
Unrealized loss on investment securities	**1,386**	505	**16,669**
Other	**298**	319	**3,584**
Gross deferred tax assets	**18,843**	13,626	**226,615**
Valuation allowance	**(3,747)**	(3,363)	**(45,063)**
Total deferred tax assets	**15,095**	10,262	**181,539**
Deferred tax liabilities:			
Reserve for advanced depreciation	**2,299**	2,411	**27,649**
Reserve for special depreciation	**2,360**	1,480	**28,382**
Prepaid pension cost	**919**	246	**11,052**
Disposal cost with asset retirement obligations	**349**	—	**4,197**
Unrealized gain on investment securities	**1,855**	2,514	**22,309**
Deferred gain on hedges	**91**	54	**1,094**
Reversal of allowance for doubtful accounts	**—**	48	**—**
Other	**13**	29	**156**
Total deferred tax liabilities	**7,887**	6,784	**94,853**
Net deferred tax assets	**¥ 7,207**	¥ 3,478	**$ 86,675**

22. Asset Retirement Obligations

Year ended March 31, 2011

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at April 1, 2010	**¥1,338**	**$16,091**
Liabilities incurred due to the acquisition of property, plant and equipment	**14**	**168**
Accretion expense	**18**	**216**
Balance at March 31, 2011	**¥1,371**	**$16,488**

23. Investment and Rental Properties

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

The Company has omitted the disclosure of Investment and Rental Properties due to immateriality for the years ended March 31, 2011 and 2010.

24. Segment Information

Effective the fiscal year ended March 31, 2011, the Company has adopted the new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

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

	Thousands of U.S. Dollars					
	Reportable segments					
Year ended March 31, 2011	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and eliminations	Consolidated
Sales and operating income:						
Sales to third parties	**$1,357,968**	**$1,174,552**	**$ 28,250**	**$2,560,782**	**$ —**	**$2,560,782**
Intra-segment sales and transfers	**34,311**	**64,113**	**36,981**	**135,418**	**(135,418)**	**—**
Total sales	**1,392,291**	**1,238,677**	**65,244**	**2,696,212**	**(135,418)**	**2,560,782**
Operating income	**$ 301,371**	**$ 39,122**	**$ 8,599**	**$ 349,092**	**$ (6,398)**	**$ 342,694**
Assets, depreciation, and capital expenditures:						
Total assets	**$2,015,310**	**$1,076,091**	**$163,680**	**$3,255,093**	**$825,039**	**$4,080,132**
Depreciation and amortization	**198,340**	**36,584**	**3,620**	**238,569**	**1,984**	**240,565**
Capital expenditures	**303,271**	**15,743**	**878**	**319,904**	**1,455**	**321,371**

Notes 1: Adjustments and eliminations for segment profit of ¥532 million ($6,398 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 ¥68,602 million ($825,039 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 ¥165 million ($1,984 thousand) include depreciation and amortization for corporate assets.

Adjustments and eliminations for capital expenditures of ¥121 million ($1,455 thousand) include capital expenditures for corporate assets.

Year ended March 31, 2010	Millions of Yen					
	Reportable segments					
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total	Adjustments and eliminations	Consolidated
Sales and operating income:						
Sales to third parties	¥121,921	¥77,356	¥ 2,402	¥201,680	¥ —	¥201,680
Intra-segment sales and transfers	3,170	4,496	2,826	10,493	(10,493)	—
Total sales	125,091	81,852	5,229	212,174	(10,493)	201,680
Operating income	¥ 30,187	¥ 1,308	¥ 740	¥ 32,235	¥ (50)	¥ 32,185
Assets, depreciation, and capital expenditures:						
Total assets	¥148,024	¥84,571	¥13,640	¥246,237	¥764,748	¥322,986
Depreciation and amortization	10,772	3,107	324	14,203	218	14,422
Capital expenditures	30,256	1,169	47	31,472	391	31,864

Notes 1: Adjustments and eliminations for segment profit of ¥50 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 ¥76,748 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 ¥218 million include depreciation and amortization for corporate assets. Adjustments and eliminations for capital expenditures of ¥391 million include capital expenditures for corporate assets.

(Additional Information)
Effective the year ended March 31, 2011, the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance, No. 20, March 21, 2008).

(a) Product and service information

Year ended March 31, 2011

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

	Thousands of U.S. Dollars			
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Total
Sales to third parties	**$1,357,968**	**$1,174,552**	**$28,250**	**$2,560,782**

(b) Geographical information

(i) Sales

Year ended March 31, 2011					
Millions of Yen					
Japan	China	Korea	North America	Other	Total
¥99,070	**¥29,836**	**¥21,810**	**¥10,248**	**¥51,963**	**¥212,929**

Year ended March 31, 2011					
Thousands of U.S. Dollars					
Japan	China	Korea	North America	Other	Total
$1,191,461	**$358,821**	**$262,297**	**$123,247**	**$624,931**	**$2,560,782**

(ii) Tangible assets

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

(c) Significant customer information

The Company has omitted the disclosure of significant customer information for the year ended March 31, 2011 because no individual customer accounted for more than 10% of net sales in the Consolidated Statement of Income.

(d) Information on loss on impairment of fixed assets

Year ended March 31, 2011

Impairment loss on fixed assets by reportable segment for the year ended March 31, 2011 is summarized as follows:

	Millions of Yen				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Impairment loss	**¥0**	**¥101**	**—**	**¥95**	**¥197**

	Thousands of U.S. Dollars				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Impairment loss	**$0**	**$1,215**	**—**	**$1,143**	**$2,369**

(e) Amortization and balance of goodwill

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

Year ended March 31, 2011

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

	Thousands of U.S. Dollars				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**$—**	**$1,082**	**$—**	**$—**	**$1,082**
Balance as of March 31................	**—**	**770**	**—**	**—**	**770**

	Thousands of U.S. Dollars				
	Steel and Energy Products	Industrial Machinery Products	Real Estate and Other Businesses	Adjustments and eliminations	Total
Amortization	**$—**	**$ 854**	**$—**	**$—**	**$ 854**
Balance as of March 31................	**—**	**3,440**	**—**	**—**	**3,440**

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 year ended March 31, 2011 by reportable segment:

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

(f) Information on gain on negative goodwill

None applicable

Year ended March 31, 2010

(a) Business segment information

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

- Operations in the steel products segment include steel castings and forgings, steel plates, pressure vessels and steel structures.
- Operations in the machinery products segment include injection molding machines, film and sheet machinery, blow molding machines, magnesium injection molding machines, waste treatment equipment and manufacturing equipment for electronic products.
- Operations in the regional development segment include the Fuchu Intelligent Park Project and the leasing of real estate.

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

(b) Geographical segment information

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

(c) Overseas sales information

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries, and sales (other than exports to Japan) of its overseas consolidated subsidiaries, for the year ended March 31, 2010 is summarized as follows:

	Millions of Yen			
	East Asia	North America	Other	Total
Overseas sales	¥45,013	¥20,256	¥28,633	¥ 93,903
Consolidated net sales				¥201,680
Overseas sales as a percentage of consolidated net sales (%)....................	22.3	10.0	14.2	46.6

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, 2011 and 2010 and for the years then ended were as follows:

	Yen		U.S. Dollars
	2011	2010	**2011**
Net income	**¥ 44.54**	¥ 47.22	**$0.54**
Net assets	**322.98**	296.13	**3.88**

Report of Independent Auditors

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
The Japan Steel Works, Ltd.

We have audited the accompanying consolidated balance sheets of The Japan Steel Works, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Japan Steel Works, Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Ernst & Young
Shin Nihon LLC

June 24, 2011

A member firm of Ernst & Young Global Limited

Corporate Directory

Stock Information

Authorized Shares
1,000,000,000 shares

Issued and Outstanding Shares
371,463,036 shares

Shareholders
41,423

Stock Listings
Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

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

Major Shareholders (holding %)

Japan Trustee Services Bank, Ltd. (Trust Account)	5.11%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.73%
Sumitomo Mitsui Banking Corp.	3.38%
The Chuo Mitsui Trust & Banking Co., Ltd.	2.96%
Mitsui Sumitomo Insurance Co., Ltd.	2.38%
Mitsui Life Insurance Co., Ltd.	2.27%
STATE STREET BANK AND TRUST COMPANY	1.36%
Hitachi, Ltd.	1.36%
Mitsubishi Heavy Industries, Ltd.	1.36%
BNP-PARIBAS SECURITIES SERVICES PARIS/JASDEC FRENCH RESIDENTS	1.35%

Corporate Data

Trade Name
The Japan Steel Works, Ltd.

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

Foundation
November 1, 1907

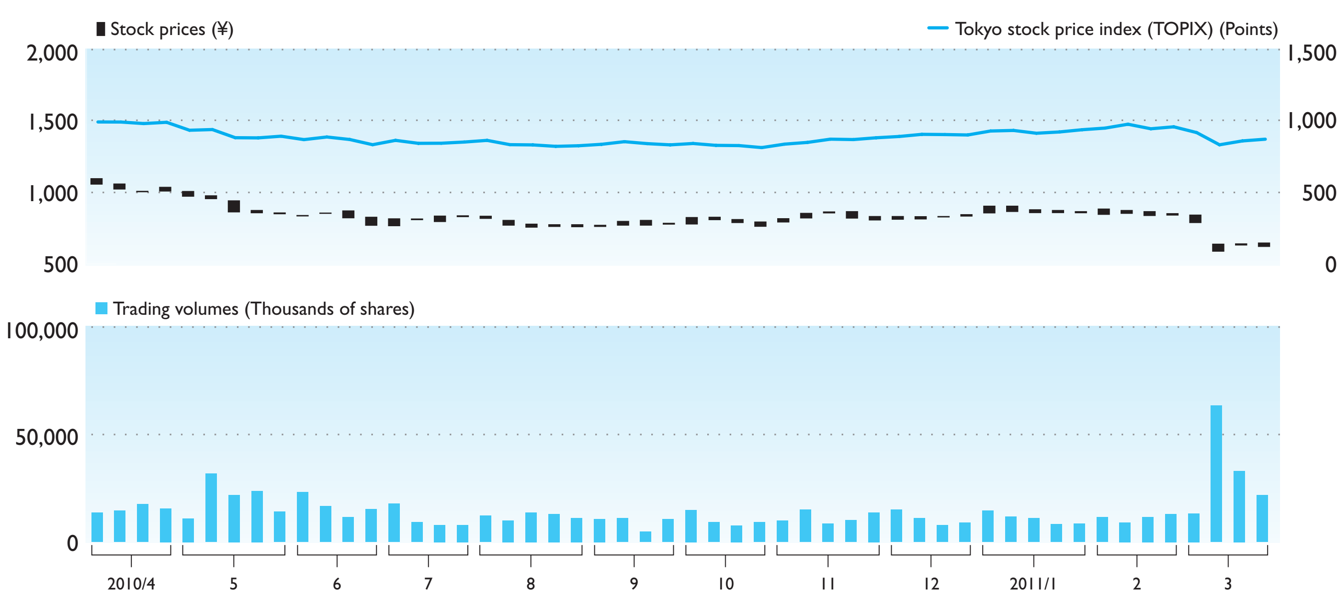
Paid-in Capital
¥19,694 million

Employees
2,062 (Consolidated 4,880)

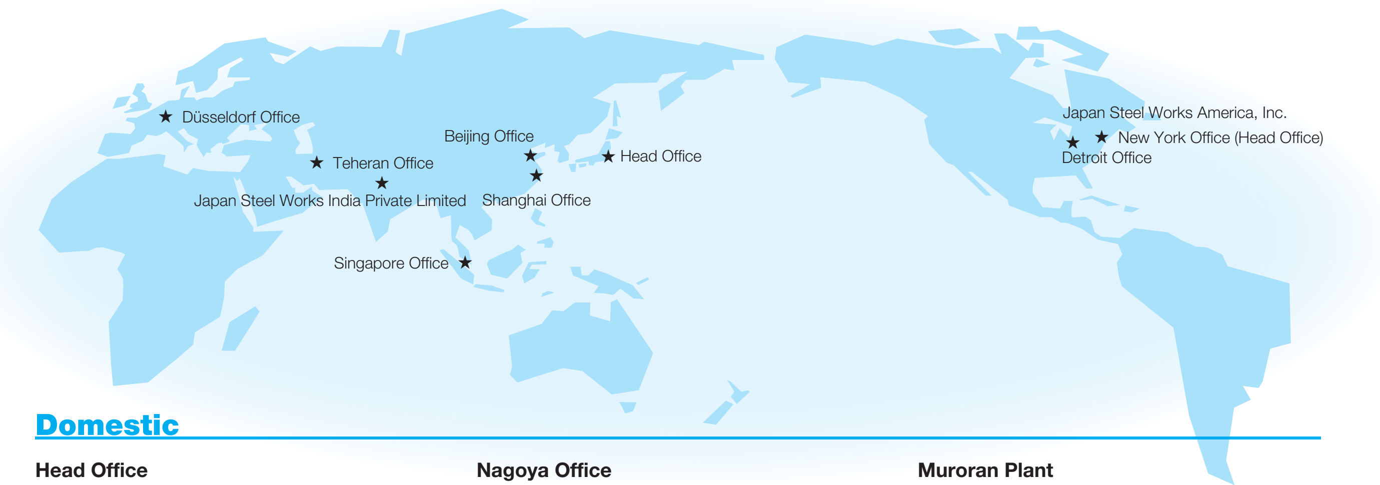
Auditor
Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.,
2-3, Uchisaiwai-cho 2-chome,
Chiyoda-ku, Tokyo, Japan

(as of March 31, 2011)

JSW's Stock Prices



Offices & Plants



Domestic

Head Office
Gate City Ohsaki-West Tower, 11-1, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032
Phone: +81-3-5745-2001
Facsimile: +81-3-5745-2025

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

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

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

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

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

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

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

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

Overseas

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

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

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

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

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

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

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

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

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

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

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

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

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

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