Financial Section

THE JAPAN STEEL WORKS, LTD.

Six-Year Summary

Years ended March 31

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

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

Contents

Financial Performance (Consolidated)

Operating Results

Net Sales

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

Net Income

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

Operating Income

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

Overseas Sales

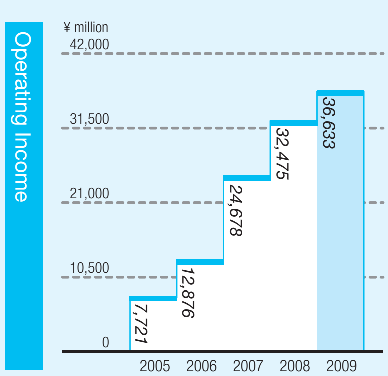
Sales in East Asian markets declined 11% from the previous year, to ¥44,343 million (US$451 million). Sales in North America increased 33% to ¥12,443 million (US$126 million), while sales in other regions rose 41% to ¥63,065 million (US$642 million). Total overseas sales grew by 15% to ¥119,853 million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

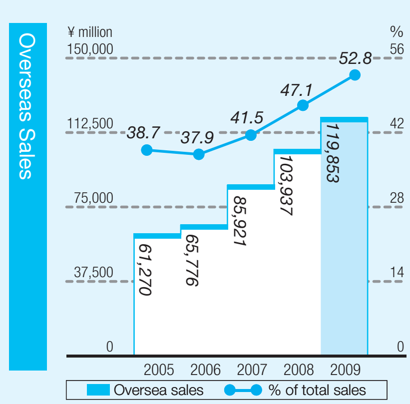
Cash Flows

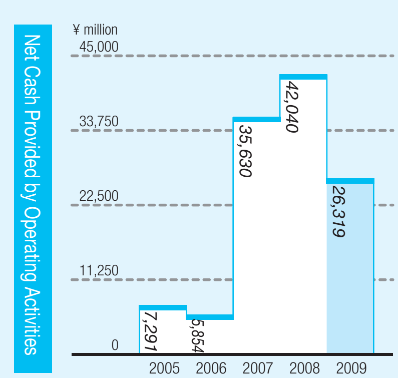
Cash and cash equivalents stood at ¥39,904 million (US$406 million) at the reporting term-end, up ¥3,771 million year-on-year. This is attributable to the posting of income before income taxes and minority interests in the amount of ¥27,630 million (US$281 million), compared with ¥30,461 million for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

Cash Flow from Operating Activities

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







Net Cash from Investment Activities

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

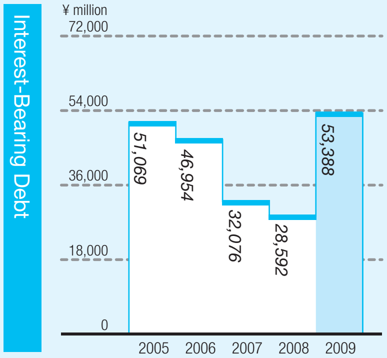
Cash Flow from Financing Activities

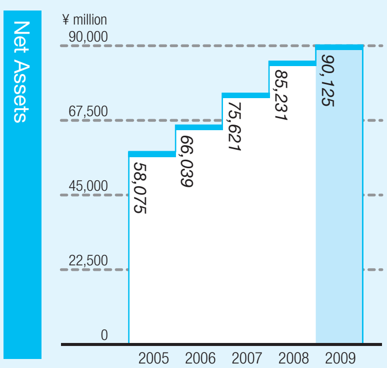
Net cash provided by financing activities amounted to ¥10,614 million (US$108 million), compared with a net cash outflow of ¥8,571 million for the previous term. This net cash inflow resulted from ¥20 billion (US$204 million) in proceeds from long- and short-term borrowings, which more than exceeded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

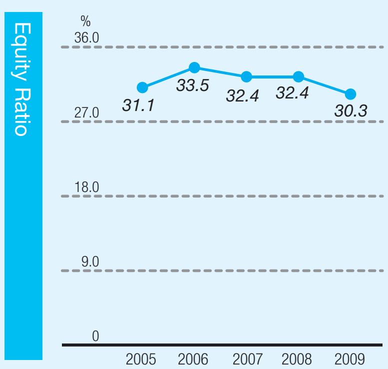
Financial Position

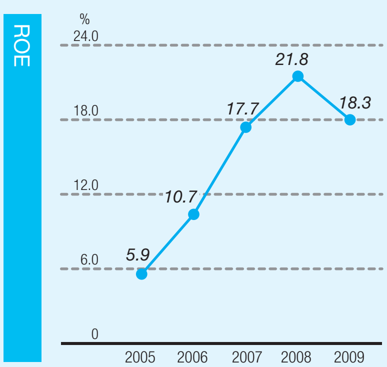
Total assets as of the end of March 2009 stood at ¥296,909 million (US$3,023 million), up ¥34,456 million, or 13%, from the previous term-end. This was due a rise in current assets caused by an increase in inventory assets (principally goods in process), and an increase in property, plant and equipment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

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









Consolidated Balance Sheets

March 31, 2009 and 2008

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Income

For the years ended March 31, 2009 and 2008

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2008

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2008

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

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Fiscal year 2008 (Year ended March 31, 2009)

1. Basis of Presentation

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

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

(b) Foreign currency translation

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

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

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

(c) Cash equivalents

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

(d) Inventories

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

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

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

(e) Short-term investments and investment securities

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

(f) Allowance for doubtful accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Income taxes

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

(n) Research and development expenses

Research and development expenses are charged to income when incurred.

(o) Revenue recognition

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

(p) Derivatives

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

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

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

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

3. U.S. Dollar Amounts

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

4. Inventories

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

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

5. Depreciation

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

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

6. Advanced Depreciation

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

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

7. Contingent Liabilities

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

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

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

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

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

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

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

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

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

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

9. Other Income (Expenses) — Other, Net

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

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

10. Loss on Impairment of Fixed Assets

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

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

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

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

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

11. Leases

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

Year ended March 31, 2008

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

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

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

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

Year ended March 31, 2009

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

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

12. Cash Flow Information

(a) Cash and cash equivalents

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

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

(b) Non-cash items

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

13. Income Taxes

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

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

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

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

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

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

14. Research and Development Expenses

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

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

15. Employees' Retirement Benefit Plans

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

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

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

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

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

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

16. Securities

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

March 31, 2009

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

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

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

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

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

March 31, 2008

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

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

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

	Millions of Yen
Other unlisted securities	¥1,637

17. Liquidation of Notes and Accounts Receivable

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

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

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

Year ended March 31, 2009

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

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

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

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

(b) Dividends

(1) Dividends paid to shareholders

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

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

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

Year ended March 31, 2008

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

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

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

(b) Dividends

(1) Dividends paid to shareholders

(i)Approved:	Ordinary general meeting of share-holders held on June 28, 2007
Type of shares:	Common stock
Total amount of dividends:	¥3,341 million
Dividends per share:	¥9
Record date:	March 31, 2007
Effective date:	June 29, 2007
(ii)Approved:	Meeting of Board of Directors held on September 19, 2007
Type of shares:	Common stock
Total amount of dividends:	¥1,670 million
Dividends per share:	¥4.5
Record date:	September 30, 2007
Effective date:	December 10, 2007

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

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

19. Shareholders' Equity

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

20. Amounts per Share

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

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

21. Segment Information

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

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

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

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

(a) Business segment information

(Change in method of accounting for depreciation)

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

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

(Depreciation expense)

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

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

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

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

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

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

(b) Geographical segment information

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

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

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

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

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

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

(c) Overseas sales information

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

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

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

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

Report of Independent Auditors

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
The Japan Steel Works, Ltd.

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

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

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

Supplemental Information

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

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young
ShinNihon LLC

June 29, 2009

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