Message from the President

Masahisa Nagata
President

Business Performance and Operating Environment

The Japanese economy showed a trend of gradual expansion during the reporting period against the backdrop of improving corporate earnings, increased capital investment, and a brighter employment situation. The economy's outlook is growing gloomier, however, in view of the possibility of economic stagnation worldwide, particularly in the United states, stemming from the high price of oil and the principal raw materials, as well as the impact of the U.S. subprime mortgage loan crisis.

In these circumstances, JSW continued during the reporting term to vigorously pursue the main targets under its Revised Medium-Term Management Plan (J2008R): namely, enhancing the scale of its business, improving capital efficiency, and promoting CSR. We also made a considerable amount of capital investment in response to growing demand, and to enable us to produce products with a higher degree of value added. We achieved reductions in costs, shortened lead times through improvement to production processes, and achieved some success in pushing through higher selling prices to offset rising raw material prices. Through the early collection of receivables and an increase in advance payments, we improved our capital efficiency and operating cash flow. Overall business performance for the term exceeded our initial expectations.

Orders received for the reporting term, on a consolidated basis, posted an increase of 16% over the preceding term, to ¥264,550 million (US$2,640 million), thanks to brisk business in both of the Company's principal segments — Steel Products and Machinery Products.

Sales for the Machinery Products segment were at approximately the same level as the previous year, but Steel Products enjoyed a strong performance, with year-on-year growth of 7% to ¥220,851 million (US$2,204 million).

The growth in revenues led to increased profits, and the steady inflow of orders allowed us to realize a reduction in costs, thanks to a higher capacity utilization rate and improved productivity. We also succeeded in raising selling prices to offset higher raw material prices, and as a result, operating income rose 32% year-on-year, to ¥32,475 million (US$324 million), ordinary income grew by 32% to ¥30,864 million (US$308 million), and net income was up 40% at ¥17,484 million (US$174 million).

In terms of appropriation of retained earnings for the year, we are maintaining our basic policy of steadily increasing dividends to shareholders, more accurately reflecting periodic income. On the other hand, we intend to retain a sufficient amount of earnings for appropriation to capital expenditure to ensure long-term business development and investments for technical development, to strengthen the Company's financial position.

There was no special commemorative dividend for the reporting term, but ordinary dividends for the year were raised by ¥6 per share from the previous term, to ¥12 per share. An interim dividend of ¥4.50 per share was also paid, bringing the term-end dividend per share to ¥7.50, an increase of ¥3.00 over our initial projection.

Outlook

In spite of uncertain factors relating to the global economy, such as trends in the US economy, the direction of crude oil and raw material costs and fears over interest rate hikes, the global economy is still expected to continue growing. In Japan, too, with sustained active capital expenditure and a high level of employment in the private sector, the economy is also expected to retain its underlying strength on the back of an anticipated gradual recovery in consumer spending.

Amid this business environment, we forecast continued firm demand for JSW's Steel Products business, driven by strong global demand for energy, principally in the form of electric power, oil, and natural gas. We are still pressing ahead with a plan to increase production at our Muroran Plant, which we have been pursuing since fiscal 2007 through large-scale capital investments. However, it is feared that under our current capital investment plan, our production capacity would be insufficient to cope with the future demand that is now being predicted. Because of this, we are now examining the advisability of further investments. Meanwhile, in the Machinery Products segment we expect to be the beneficiary of a firm undertone in demand for resin production and processing machinery, notably in China and the Middle East.

Progress in Revised Medium-Term Management Plan (J2008R)

JSW has formulated a Revised Medium-Term Management Plan (J2008R) covering the two years of fiscal 2007 and 2008.

With regard to our earnings performance in fiscal 2007, ended March 2008, sales were slightly higher than our initial target, while profits far exceeded targets. In fiscal 2008, our profit forecasts also exceed initial targets.

Regarding capital expenditures, we have earmarked a total of ¥55 billion (including lease assets) for the two-year period, primarily as investments for renovation and expansion of production facilities to raise productivity. Steady progress was realized in fiscal 2007.

Numerical targets (consolidated)

(¥ billion)

	Fiscal 2007			Fiscal 2008		
	Targets under J2008R	Results	Increase	Targets under J2008R	Current Forecasts	Increase
Sales	217	220.8	3.8 1.8%	235	238	3 1.3%
Operating income	26	32.4	6.4 24.6%	29	33.3	4.3 14.8%
Ordinary income	25	30.8	5.8 23.2%	27.5	32	4.5 16.4%
Net income	13	17.4	4.4 33.8%	14.5	17.7	3.2 22.1%

Note: Amounts less than ¥100 million have been rounded down

We look forward to receiving the support and encouragement of our shareholders in the future.

June 2008

Masahisa Nagata
President