

Review of Operations

Steel Products

In the steel castings and forgings sector, demand was seen for components for thermal and nuclear power stations. In the steel plates and structures sector, demand was seen for pressure vessels used by oil refineries and for clad steel pipes used for natural gas pipeline projects, as well as for clad steel plates for desalination plants and chemical tankers. Total orders for steel products came to ¥118,007 million (US\$1,178 million), an increase of ¥15,307 million, or 15%, over the previous term.

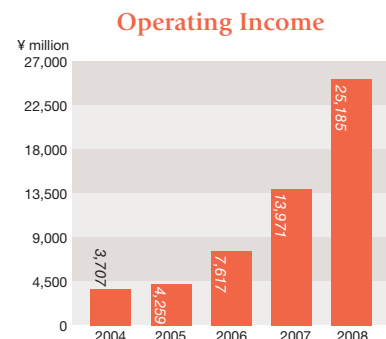
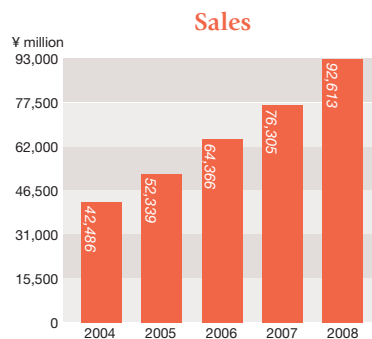
Sales were up by ¥16,308 million, or 21%, at ¥92,613 million (US\$924 million). This came in spite of a slack season in demand for clad steel pipes for natural gas pipeline projects, where sales fell from the previous year. This was because steady growth in demand for electric power generation components, pressure vessels for oil refineries, and clad steel plates compensated for this shortfall.

Operating income recorded a sharp year-on-year gain of ¥11,214 million, or 80%, to ¥25,185 million



Monoblock Low Pressure Turbine Rotor Shaft

(US\$251 million), thanks to increased production on the back of higher orders and sales, as well as reductions in production costs, all of which served to offset the higher prices of raw materials.



Business prospects

In the steel castings and forgings sector, demand for electricity in China shows no signs of weakening, while in the U.S., plans for the construction of nuclear power plants are taking shape. As a result, demand for thermal and nuclear power plant components is expected to remain strong.

In the steel plates and structures sector too, demand for pressure vessels for use in petroleum refineries is expected to rise to more than three times the level in 2004. We can thus look forward to continuing strong demand for our products.

Machinery Products

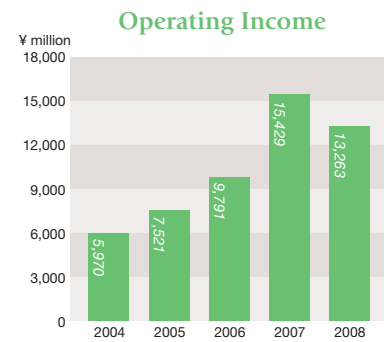
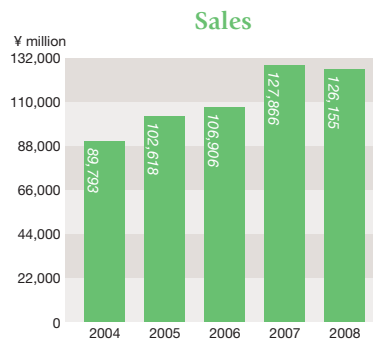
In orders for machinery products, orders for IT equipment recorded a temporary dip, but solid growth was seen in orders for resin production and processing machinery, plastic extrusion machinery, and in the Company's wind power development business. As a result, total orders for this segment rose ¥20,343 million, or 16%, to ¥144,461 million (US\$1,442 million).

Turning to sales, resin production and processing machinery, as well as plastic extrusion machinery for makers of motor vehicles and consumer electronics items showed steady growth. On the other hand, the reporting term was a slack period for capital investment by makers of IT equipment, and thus sales to these customers declined. Sales for this segment posted a slight year-on-year decline of ¥1,711 million, or 1%, to ¥126,155 million (US\$1,259 million).

Operating income was down by ¥2,166 million, or 14%, at ¥13,263 million (US\$132 million).



Electric Servo Drive DISC Injection Machine



Business prospects

In the plastics machinery sector, the current strong demand for pelletizers in China is expected to continue, and demand in India, Russia, and South America is also expected to rise. Demand for injection molding machines will likely remain on par with the previous year's level. However, it is difficult to forecast trends in demand with any degree of precision.

In the field of other machinery, flat panel display manufacturers are expected to resume investment in machinery for producing low temperature polysilicon (LTPS) small and medium-sized flat panel displays. Mass production of organic electroluminescent (EL)

panels is also gaining momentum. The market is expected to expand as a result of equipment investments by leading manufacturers of LTPS panel displays.

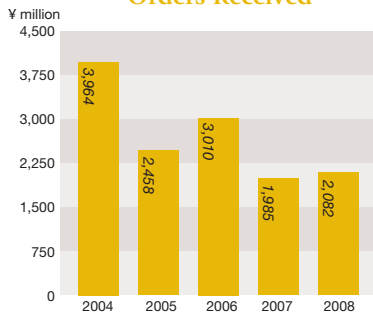
In our magnesium alloy injection molding machine business, we expect to see continued growth in applications for notebook PCs, resulting in a rise in demand for medium-scale machinery. Growth in orders for our wind power generators in the previous term is expected to be reflected in sales in the current term, which are forecast to double year-on-year in our wind power generation business.

Regional Development

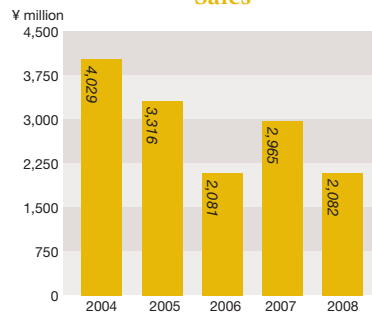
Orders for this segment came to ¥2,082 million (US\$21 million), roughly the same level as the previous term. Sales declined by ¥883 million (30%) to ¥2,082 million, while operating income was down by ¥179 million (21%), at ¥689 million (US\$7 million).



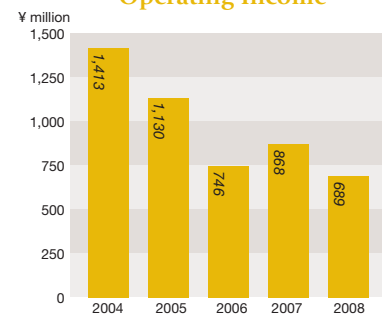
Orders Received



Sales



Operating Income



Capital Expenditure

Capital expenditures for the reporting period totaled ¥12,095 million (US\$121 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities at the parent company.

Details of capital expenditure according to individual business segments are as follows.

In the Steel Products Business, capital expenditure consisted largely of improving steel plant facilities and upgrading forging plant facilities, totaling ¥7,896 million (US\$79 million).

In the Machinery Products Business, capital expenditure came to ¥3,563 million (US\$36 million),

primarily as a result of investment in improving machine processing efficiency and opening a film technical center.

In the Regional Development Business, capital expenditure consisted primarily of the purchase of real estate for rental purposes, totaling ¥267 million (US\$3 million).

Regarding capital expenditures not included within individual segments, a capital expenditure totaling ¥367 million (US\$4 million) was incurred in the integration of the operations of two previously separate offices into the new headquarters in Shinagawa Ward in southern Tokyo in August 2007.