

# Message from the President



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

**Ikuo Sato**  
*Representative Director & President*

## Overview of FY2012

### ■ Business performance

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

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

Amid these conditions, at the JSW Group we have drawn up a medium-term management plan, under the name of JGP2014, covering three-year period from April 2012 to March 2015. Our twin goals under this plan are to become “the No.1 global *monozukuri* (manufacturing) corporate group” and “a corporate group with a stable earnings structure and strong financial position.” To achieve these goals, we are implementing as our basic management policy the following business activities; “1. Grow our products into the global market leaders,” “2. Expand business operations into growth markets and growth fields,”

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“3. Create global network of *monozukuri* alliances,” and “4. Strengthen business base.” In particular, despite having to battle against the impact of the strong yen and the slowdown in the global economy, in our Industrial Machinery Products Business we have focused our energies into further differentiating our technologies from those of our competitors and into providing products with even more value added and as a result, we were able to achieve our highest ever operating income by segment.

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

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

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

#### ■ Providing a year-end dividend of ¥5

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

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

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

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## Forecasts for fiscal 2013

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

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

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

June 2013

Ikuo Sato  
*Representative Director & President*

