

Message from the President



Naotaka Miyauchi
Representative Director & President

Overview of Fiscal 2019

Business performance

In fiscal 2019, ended March 31, 2020, the trend toward the deceleration of overseas economies continued to grow amid Brexit and heightened geopolitical risks in the Middle East in addition to a stagnation of the U.S. manufacturing sector and a slowing Chinese economy, both of which arose mainly due to the impact of U.S.-China trade frictions. The Japanese economy was also anemic, with weak exports due to the deceleration of overseas economies coupled with stagnant demand caused by the consumption tax hike. Moreover, in the fourth quarter, the global COVID-19 pandemic put the brake on economic activities, forced the manufacturing sector to suspend operations, stagnated logistics, and

restricted overseas travels, precipitating a drastic economic downturn worldwide.

With respect to the JSW Group's operating environment, in the Industrial Machinery Products Business segment, demand for plastic products for the automobile sector slowed while demand for materials for automobile-use lithium-ion batteries remained stagnant in China. The Steel and Energy Products Business segment continued to face difficult operating circumstances due to an intensified price competition for clad steel plates and pipes, for which a recovery was expected on the back of expanding demand for natural gas, in addition to a contraction in the market for large cast and forged steel products.

Despite these conditions, the JSW Group formulated a banner of "Growth' in Industrial Machinery Products Business, 'Rebirth' in Steel and Energy Products Business"

and promoted its business activities centered around three basic policies in accordance with the medium-term management plan entitled JGP2020, which was formulated in May 2018 to lay out strategies for the three years until the fiscal year ending March 31, 2021. These three basic policies are: 1) optimization of management resources and strengthening of alliances; 2) strengthening after-sales services (stock-based business); and 3) acceleration in exploration and development of new businesses.

For fiscal 2019, total orders amounted to ¥211,571 million (US\$1,944 million), down 2.1% from the previous year, due to a decrease in orders in the Industrial Machinery Products Business segment offsetting an increase in the Steel and Energy Products Business segment*. Net sales fell 1.2% to ¥217,527 million (US\$1,999 million), with both the Industrial Machinery Products Business and Steel and Energy Products Business segments securing sales on par with the previous fiscal year. With regard to profits, the JSW Group posted operating income of ¥18,709 million (US\$172 million), down 23.0%, and ordinary income of ¥19,907 million (US\$183 million), down 28.7%. In the previous fiscal year, we posted an extraordinary gain arising from sales of property, plant and equipment while posting a valuation loss on investment securities caused by a drop in stock prices throughout the securities market. We also recorded an extraordinary loss of provision for business restructuring as an additional cost in the maintenance and repair business for wind turbines during fiscal 2019. As a result, profit attributable to owners of parent was down 53.4% to ¥9,310 million (US\$86 million).

*Effective from April 1, 2020, the Steel and Energy Products Business was renamed the Material and Engineering Business.

For the fiscal year ended March 31, 2020, we paid a year-end dividend of ¥17.50 per share. Coupled with an interim dividend of ¥27.50 per share, the total dividends per share were ¥45.00.

Looking ahead, the world economy is expected to decelerate for the foreseeable future, as the COVID-19 pandemic has left economic activities in suspension.

Certain countries, including China, the United States and Europe, have restarted economic activities; however, with no end in sight to the pandemic, both the overseas and Japanese economies continue to remain in a state of uncertainty.

As for the JSW Group's operating environment, although the Industrial Machinery Products Business segment is expected to witness sluggish demand for plastic products for automobiles as well as anemic market conditions for materials for automobile-use lithium-ion batteries for the short term, we aim to strengthen product competitiveness by further reducing costs and developing new products. We expect a difficult business environment to continue in the Steel and Energy Products Business segment due to a contraction in the market for large cast and forged steel products and intensifying competition for clad steel plates and pipes. Nevertheless, we plan to steadily reinforce the business foundation with Japan Steel Works M&E, Inc., which was established in April 2020, taking the lead.

To minimize the impact of the COVID-19 pandemic on our business, we will carry out various measures such as appropriately managing funds, monitoring production and inventory, and securing the supply chain. At the same time, in anticipation of the post-COVID-19 market trend, we will continue to push forward with initiatives in accordance with the basic policies laid out in the medium-term management plan (JGP2020).

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