

MESSAGE FROM THE PRESIDENT

Overview of Fiscal 2015

Business performance

In fiscal 2015, ended March 31, 2016, the world economy overall continued on a moderate recovery, buoyed by steady personal consumption in advanced Western nations. This occurred despite an economic slowdown in China and other emerging nations, as well as falling prices of crude oil and other resources. The Japanese economy also recovered moderately on the back of healthy corporate earnings and improved employment and worker income conditions. However, the future outlook is uncertain due to the yen's appreciation and falling stock prices since the start of the calendar year.

The operating environment for the JSW Group remained challenging. Despite expanding markets related to automobiles and IT equipment, the Group faced intensifying global competition driven by manufacturers in emerging nations, along with a delayed recovery in the market for nuclear power products.

Fiscal 2015 was the first year of the Group's medium-term management plan, entitled JGP2017. The slogan of the plan is "Advancing toward Top Global & Niche Corporate Group," and its aim is to achieve the top share at key points in customer value

chains. During the year, we advanced our business activities according to three basic policies: (1) increase profitability of existing business, (2) foster new products and businesses and make them competitive as soon as possible, and (3) reinforce Group management and promote alliances.

For the year, total orders amounted to ¥211,637 million (US\$1,878 million), up 2.8% from the previous fiscal year. This was due to increased orders generated by Industrial Machinery Products Business segment, which contrasted with a decline in the Steel and Energy Products Business segment. Net sales rose 14.7%, to ¥223,301 million (US\$1,981 million), owing to higher sales in the Steel and Energy Products Business and Industrial Machinery Products Business segments. Operating income surged 91.9%, to ¥14,423 million (US\$128 million). However, we reported a loss attributable to owners of parent of ¥16,600 million (US\$147 million), from ¥5,327 million (US\$47 million) in the previous year. This was due to an impairment loss of ¥35,447 million (US\$314 million) on non-current assets owned by the Muroran Plant, based on "Accounting Standard for Impairment of Fixed Assets," reflecting recognized indications of impairment due to the declining profitability of the Steel and Energy Products Business segment, stemming from weak orders for products used in nuclear power plants.