

Review of Operations

Steel Products

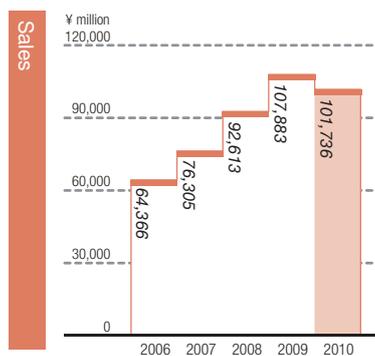
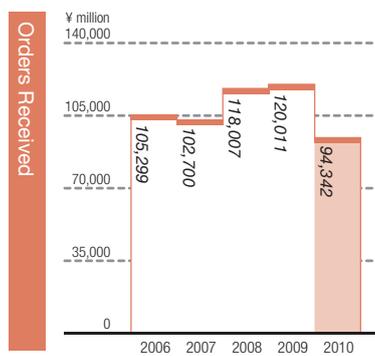
Steel Castings and Forgings Sector/Steel Plates and Structures Sector



Shell Flange Used for Pressure Chamber for Nuclear Power Plant



Clad Steel Plate



Performance in fiscal 2009

Orders decreased ¥25,668 million, or 21%, to ¥94,342 million (US\$1,013 million). Despite large projects for clad pipes for natural gas pipelines and increased orders for components used in nuclear power plants, total orders declined on the back of intensifying price competition for pressure vessels for oil refineries and clad steel plates due to the yen's appreciation, and the effects of fewer projects and project postponements.

Sales were down ¥6,147 million, or 6%, to ¥101,736 million (US\$1,093 million). This was attributable to a sharp decline in orders from projects for clad steel plates, despite growing sales of components for thermal and nuclear power plants and brisk sales of pressure vessels for oil refineries.

Operating income edged up ¥167 million, or 1%, to ¥31,640 million (US\$340 million). Despite lower earnings from decreased sales, the increase was mainly due to higher production efficiency that supported a strong order backlog from the previous term forward.

Forecast for fiscal 2010

We expect sales to reach ¥109.0 billion in fiscal 2010, given the order backlogs for thermal and nuclear power plant products and pressure vessels for oil refineries, and the recovery in demand for clad steel plates and pipes.

Operating income is projected to decrease by ¥3.6 billion from the previous year to total ¥28.0 billion. Economic benefits of greater operating efficiency from higher levels of production are likely to be outweighed by the increase in depreciation expenses related to large-scale capital investments.

Machinery Products

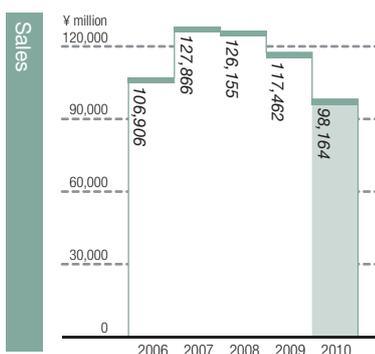
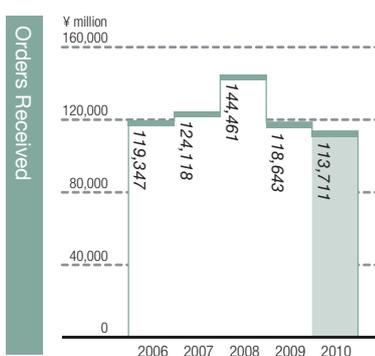
Plastics Machinery Sector/Other Machinery Sector



Polyolefin Extruder/Pelletizer



Die-casting Machine



Performance in fiscal 2009

Orders slipped ¥4,931 million, or 4%, to ¥113,711 million (US\$1,222 million). A contributing factor was a drop in orders for plastic injection molding machines, especially for automotive and consumer electronics industries, despite large project orders for wind turbine system equipment and solid demand for plastics manufacturing processing machinery.

Sales fell ¥19,297 million, or 16%, to ¥98,164 million (US\$1,055 million). Despite a sizable increase from project orders for wind turbine system equipment made in the previous fiscal year, the decrease was mainly due to plastics manufacturing and processing machinery and plastic injection molding machines being affected by waning capital investments. Operating income tumbled ¥4,900 million, or 43%, to ¥6,535 million (US\$70 million).

Forecast for fiscal 2010

Sales of machinery products are expected to total ¥97.2 billion, down ¥0.9 billion year-on-year, due to a falloff in shipments of wind turbine system equipment pending launch of new products. This is likely to outweigh the sales increase from recovering demand for plastics manufacturing and processing machinery and molding machines.

We forecast operating income of ¥4.3 billion, a ¥2.2 billion decline year-on-year due to increased competition in our mainstay products in the wake of the financial crisis triggered by the Lehman Brothers collapse.

Review of Operations

Regional Development

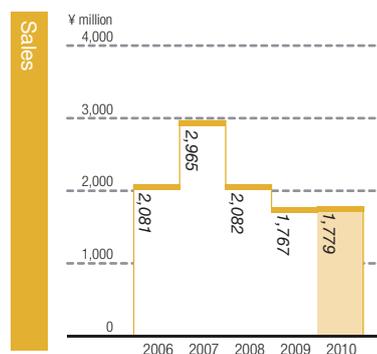
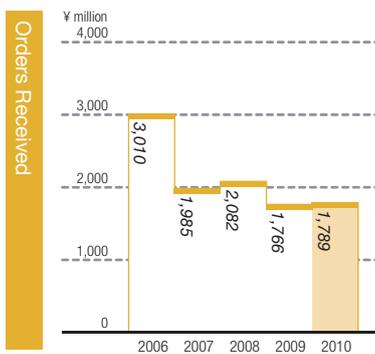
Regional Development



Business Office Development
(Fuchu Intelligent Park)



JSW Apartment Building Development
(Fuchu, Tokyo)



Performance in fiscal 2009

Orders totaled ¥1,789 million (US\$19 million), sales came to ¥1,779 million (US\$19 million) and operating income amounted to ¥733 million (US\$7 million).

Capital Expenditures

Capital expenditures for the reporting period totaled ¥31,864 million (US\$342 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities.

Details of capital expenditure by individual business segment are as follows.

In the steel products business, capital expenditures totaled ¥30,251 million (US\$325 million). This expenditure consisted largely of investments to construct new buildings and equipment for the forging and heat treatment facilities at Muroran Plant, to install new equipment and upgrade existing equipment at the same Plant, as well as upgrade equipment at steel-making plants.

In the machinery products business, capital expenditures came to ¥1,178 million (US\$12 million) as a result of investments to raise machine processing efficiency at our Hiroshima Plant.

In the regional development business, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥42 million (US\$0.4 million).

Capital expenditures unallocable to individual segments came to ¥391 million (US\$4 million).