

# Review of Operations

## Steel and Energy Products Business

### Steel Products Sector/Steel Plates and Structures Sector/ Wind Turbines Sector



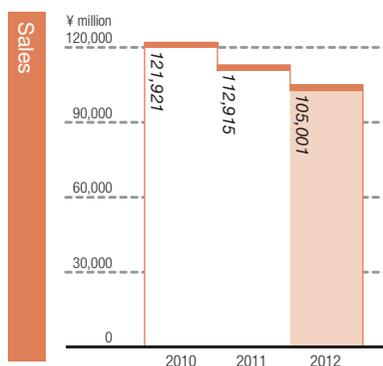
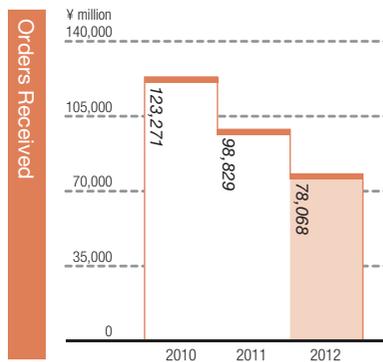
Shell Flange Used for Pressure Chamber for Nuclear Power Plant



Clad Steel Plate



J82 Wind Turbine System



#### ■ Performance in fiscal 2011

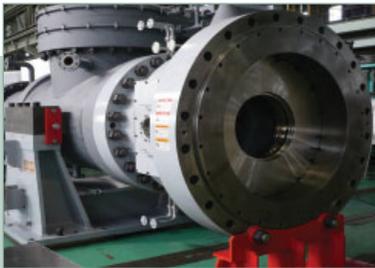
Orders came to ¥78,068 million (US\$949 million), a year-on-year decrease of 21.0%. Orders for products for use in the electrical power generation industry (including nuclear power) decreased sharply against the background of a worldwide reassessment of nuclear power policy, while orders for clad steel plates and pipes recorded a decline on a year-on-year comparison owing to the large-scale orders received in fiscal 2010. Orders for pressure vessels for oil refineries, and for wind turbine system equipment, also fell short of expectations.

Sales came to ¥105,001 million (US\$1,277 million), a year-on-year decrease of 7.0%. Although sales of clad steel plates and pipes benefited from the posting of sales of large-scale orders received in the previous year, and sales of products for the electrical power generation industry (including nuclear power) included those from orders received in previous years, these factors were more than offset by a decline in sales of pressure vessels for oil refineries, and of wind turbine system equipment.

Operating income came to ¥11,517 million (US\$140 million), a year-on-year decrease of 54.0%. Despite implementing a range of cost-cutting measures, we were unable to counteract the adverse effects of a number of factors, including a lower capacity utilization rate due to the decrease in orders received, intensifying export competition caused by the yen's high exchange rate and a decline in the average selling price, and a deterioration in the Company's profitability owing to a change in the product structure.

# Industrial Machinery Products Business

## Plastics Machinery Sector/Other Machinery Sector



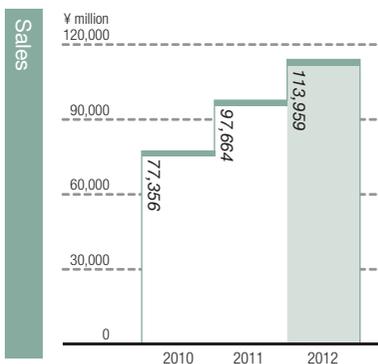
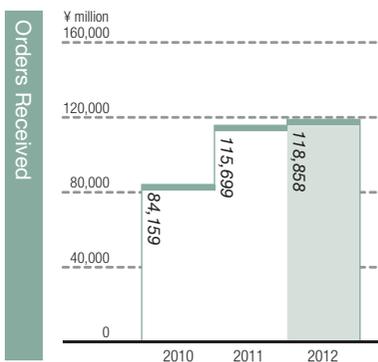
Polyolefin Extruder/Pelletizer



Large-Size All-Electric Injection Molding Machine (24600kN)



Magnesium Alloy Injection Molding Machine (280t)



### ■ Performance in fiscal 2011

Orders rose 2.7% year on year, to ¥118,858 million (US\$1,446 million). Although orders for laser annealing equipment declined due to the fact that ordering negotiations were prolonged into the following term, as well as other factors, growth was recorded in orders for plastic production and processing machinery, notably film-forming equipment, and orders for plastic injection molding machines and other machinery held firm.

Sales increased 16.7% to ¥113,959 million (US\$1,386 million). Growth was seen in sales of plastic production and processing machinery such as pelletizers and twin-screw extruders, as well as ancillary components and conversion work, and in sales of laser annealing equipment, while sales of plastic injection molding machines held firm.

Operating income posted a sharp rise of 254.8%, to ¥11,542 million (US\$140 million). This is attributable to increased sales, radical cost-cutting measures, and to steps taken by the Company to enhance its lineup of high-value-added products born out of a level of technological expertise that differentiates the Company from its rivals. These steps were all the more necessary as a result of increasingly fierce price competition caused by the strong yen.

# Review of Operations

## Real Estate and Other Businesses

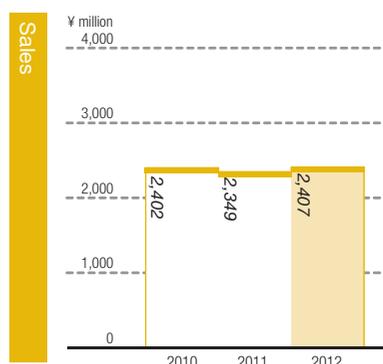
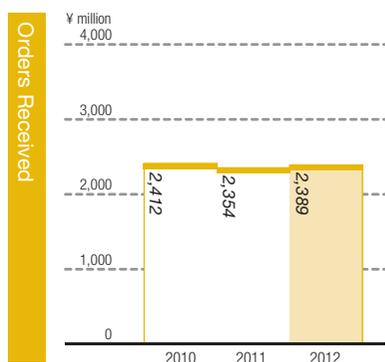
### Regional Development



Business Office Development  
(Fuchu Intelligent Park)



JSW Apartment Building Development  
(Fuchu, Tokyo)



#### Performance in fiscal 2011

Orders totaled ¥2,389 million (US\$29 million), sales came to ¥2,407 million (US\$29 million) and operating income amounted to ¥776 million (US\$9 million).

### Capital Expenditures

Capital expenditures for the reporting period totaled ¥8,256 million (US\$100 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 and Energy Products Business, capital expenditures totaled ¥6,238 million (US\$75 million). This expenditure consisted largely of investments in the construction of new buildings and equipment for the Special Melting and Heat Treatment facilities, as well as in the upgrading of equipment at the Designing Center at the Muroan Plant.

In the Industrial Machinery Products Business, capital expenditures came to ¥1,896 million (US\$23 million), primary as a result of investments in higher machine processing efficiency at our Hiroshima Plant.

In the Real Estate and Other Businesses, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥78 million (US\$0.9 million).

Capital expenditures unallocable to individual segments came to ¥42 million (US\$0.5 million).