

Message from the President



Shifting from a performance recovery and expansion phase to a period of profit structure reconstruction

Ikuo Sato
*Representative Director &
President*

Business performance

In fiscal 2010, the fiscal year ended March 31, 2011, Asia and particularly China as well as developing countries experienced high rates of economic growth. Together with this driving force, the overall global economy entered a recovery trajectory. Meanwhile, turning to conditions in Japan, the domestic economy showed signs of a partial favorable upswing due to such factors as an increase in export activity to developing countries. However, amid the sharp appreciation in the value of the yen and the rapid and prolonged increase in crude oil prices, conditions in Japan were greatly impacted by the massive damage caused by the Great East Japan Earthquake that struck the nation in March 2011. Despite delays in certain shipments and other minor interruptions to its business activities, the JSW Group's employees, operating bases and facilities were unaffected by the disaster. In this regard, the impact on performance for the fiscal year under review was minimal. Looking ahead, however, at the future of the electric and nuclear power sectors, mainstay areas for the Group's operations, there is little room for complacency.

Under these circumstances, the JSW Group embarked upon its medium-term management plan, "JGP2012," that covers the three-year period from fiscal 2010 in May 2010. Under this plan, JSW's business vision is to become a "company that creates change"

with creative technology, and that contributes to the development of society. At the same time, the Company has identified the goal of becoming the number one global *monozukuri* company. In specific terms, JSW accordingly engaged in strategic development in each of its business fields while promoting measures aimed at strengthening its financial position. In addition to actively pursuing increased efficiency in the balance between inventory turnover and notes and accounts receivable, JSW undertook cost-cutting measures including the reduction of variable costs and further rationalization of fixed costs in an effort to lower the break-even point. Despite these endeavors, the Company was buffeted by a drop in product prices in line with the strong yen and intensifying competition as well as such factors as the increase in depreciation and amortization.

Taking into account each of the aforementioned factors, consolidated net sales in fiscal 2010 increased 5.6% compared with the previous fiscal year to ¥212,929 million (US\$2,560 million) on the back of growth in the Industrial Machinery Products Business. From a profit perspective, orders and sales of industrial machinery increased. This was, however, more than offset by the upswing in depreciation and amortization relating to the Steel and Energy Products Business. As a result, operating income declined 11.5% year on year to ¥28,495 million (US\$342 million). In similar fashion, ordinary income slipped 6.7% to ¥29,168 million (US\$350 million) and net income fell 5.7% compared with the previous fiscal year to ¥16,532 million (US\$198 million).

While orders received for the Steel and Energy Products Business were soft, results were up in the Industrial Machinery Products Business. As a result, orders received in fiscal 2010 totaled ¥216,883 million (US\$ 2,608 million), an increase of 3.4% compared with the previous fiscal year.

With respect to the appropriation of profits, the Company remains committed to bolstering its internal reserves in order to fund the capital expenditure required to ensure long-term and stable business as well as technology development and to strengthen its financial position. At the same time, JSW will continue to promote the payment of stable and sustained dividends to its shareholders. Taking these factors into consideration, the Company has decided to pay an annual dividend at the previous fiscal year's level of ¥12 per share for the fiscal year under review.

Forecasts for fiscal 2011

Looking ahead, Japan's economy is projected to pick up on the back of the positive shift in the global economy. Despite these favorable conditions, the future outlook remains shrouded in uncertainty due to the inherent downside risks associated with the impacts of

Message from the President

damage from the Great East Japan Earthquake. The JSW Group has positioned efforts to minimize the negative impact of a global-scale review of nuclear power policies as a key management priority in fiscal 2011. In this context, plans are in place to revise its current medium-term management plan and to formulate a new plan beginning the fiscal year ending March 31, 2013.

On an individual business segment basis, orders received for power plant components are expected to decrease. Orders received for plastics manufacturing and processing machinery, on the other hand, are forecast to increase. Sales of pressure vessels for oil refinery use are anticipated to decline. In addition to a projected upswing in sales of power plant components and clad steel pipes for natural gas field pipeline use, results from plastics manufacturing and processing machinery and from plastic injection molding machines are expected to improve. Accounting for each of the aforementioned factors, net sales, operating income, ordinary income and net income are forecast to total ¥225,000 million, ¥19,500 million, ¥20,000 million and ¥11,500 million, respectively, in fiscal 2011. However, as previously identified, JSW's performance is susceptible to the impact of fluctuations in global nuclear power generation plans. These plans are anticipated to change with time, and accordingly the Company will continuously reassess and review its numerical targets as and when required based on an analysis of conditions.

Despite substantial fluctuations in its operating environment, the JSW Group will continue to expand its growth platform by further upgrading and enhancing its proprietary technologies while actively reconstructing its profit structure. As we work toward achieving our established goals, I ask for the continued understanding and support of all shareholders.

June 2011

Ikuo Sato
Representative Director & President

