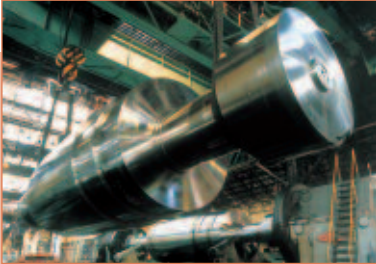


Review of Operations

Steel Products Segment

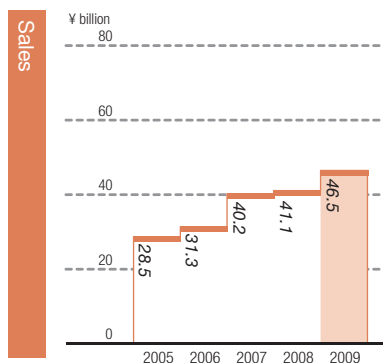
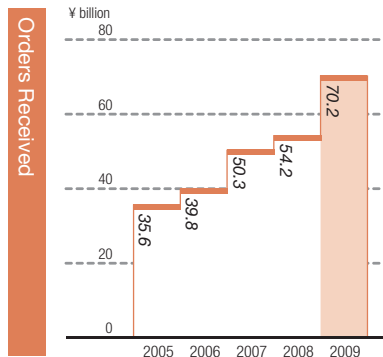
Steel Castings and Forgings Sector



Monoblock Low Pressure Turbine Rotor Shaft



Shell Flange Used for Pressure Chamber for Nuclear Power Plant



Performance in fiscal 2008

Demand for thermal power plant components remained strong, with the global financial crisis having a minimal impact thanks to a high level of orders from China, the country with the strongest demand in the world in this field. In addition, nuclear power plant components are benefiting from a new surge in the revival of nuclear energy in European countries. In particular, the French company AREVA has made aggressive efforts to expand its nuclear power business, and we have received several orders for nuclear power companies in China. At JSW, customers reserve production slots, and we are seeing signs that demand will continue to grow.

Supported by a large order backlog, sales for steel castings and forgings sector rose ¥5.4 billion year-on-year to ¥46.5 billion (US\$473 million), while total orders increased ¥16.0 billion to ¥70.2 billion (US\$715 million).

Forecast for fiscal 2009

Against the backdrop of a substantial backlog of orders for power plants (both thermal and nuclear) and a continuing steady inflow of new orders, sales are projected to post a year-on-year increase, and despite an expected increase in depreciation expenses on capital equipment, this should be offset by the growth in sales and production as well as successful measures to lower the cost of sales. Consequently, earnings are forecast to maintain their upward trend. With new plant projects are being undertaken in Japan and China, orders will likely remain at a high level for nuclear power plant components, but there will be an increase in the downward pressure on prices for components for thermal power plants accompanying the decline in materials prices. We expect this to have a negative impact on orders that have been front-loaded in fiscal 2008. Thanks to our competitive superiority in large rotors, we expect demand for this product to remain brisk.

In the Steel Castings and Forgings Sector, we forecast sales of ¥54 billion (US\$550 million) and orders of ¥68.5 billion (US\$697 million).

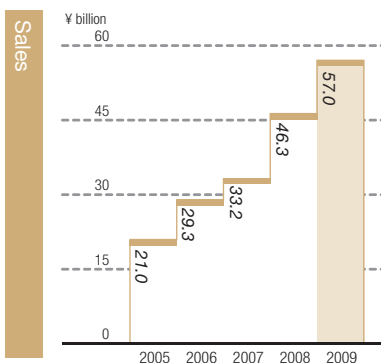
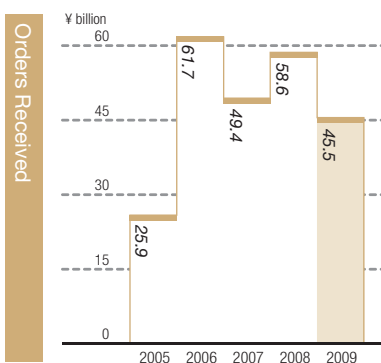
Steel Plates and Structures Sector



Clad Steel Pipe



Clad Steel Plate



Performance in fiscal 2008

Orders for pressure vessels from oil refineries decreased due to such factors as the mid-term decline in crude oil prices, which remained at a low level through to the term-end, and intensified competition with European companies as a result of the yen's appreciation against the euro, leading to the deterioration in the business operating environment. However, sales increased, supported by a substantial backlog of orders. Although demand for clad pipe for use in natural gas fields remained firm, orders declined for clad steel plates for use in desalination and oil refinery plants etc. as a result of the postponement of a project and the impact of the yen's rapid appreciation in the second half of fiscal 2008.

Consequently, sales for the steel plates and structures sector came to ¥57 billion (US\$580 million), up ¥10.7 billion, while orders fell by ¥13.1 billion to ¥45.5 million (US\$463 million).

Forecast for fiscal 2009

Our balance of orders for pressure vessels for oil refineries comes works for two years (fiscal 2009 and 2010). Regarding orders, largescale projects are getting underway in South America and the Middle East, but we must take into account the intensifying severe competition and remember that we should not be too optimistic profitability will be a concern from fiscal 2011 onward.

In clad steel plates, in addition to the limited order backlog, orders are expected to be low in terms of both volume and value. Accordingly, we expect that profitability will also remain low. In contrast, we have backlog of orders for clad pipes for the fiscal 2009 full year. We expect increase of order in 2009 compared with 2008.

As a result, we forecast sales of ¥49.5 billion (US\$504 million), and orders of ¥41 billion (US\$417 million).

Review of Operations

Machinery Products Segment

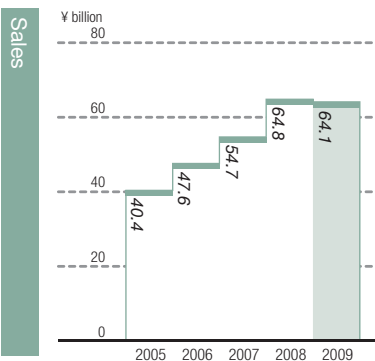
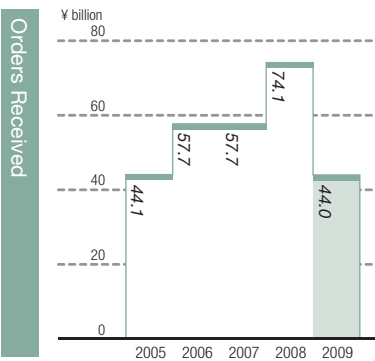
Plastics Machinery Sector



Blow Molding Machine



Polyolefin Extruder/Pelletizer



■ Performance in fiscal 2008

A significant backlog in orders for plastics production and processing machinery contributed to an increase in profits. Orders fell short of target as a result of the large earthquake in Sichuan, China, in May 2008, and the impact of the global financial credit crunch in the second half of fiscal 2008, which caused companies to postpone, cancel or delay projects and equipment investments. In the injection molding machinery market, the expansionary trend in the market during the past few years — by equipment investment in the auto industry — has been halted in the wake of the global financial crisis, and demand remains sluggish.

As a result, sales in the plastics machinery sector declined ¥700 million to ¥64.1 billion (US\$653 million), while orders fell by a substantial ¥30.1 billion to ¥44.0 billion (US\$448 million).

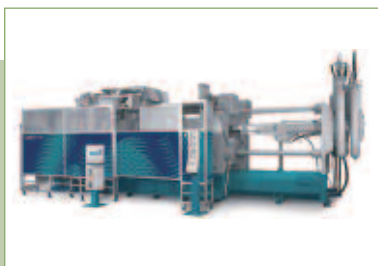
■ Forecast for fiscal 2009

We expect to see the impact of the decline in orders for plastics production and processing machinery received in fiscal 2008. We saw a rapid growth in orders from China after the Chinese government implemented large-scale economic stimulus measures. Thus, we expect orders to show a pick-up from the second half onward. However, the lead-time is long, and the contribution to sales in fiscal 2009 is expected to be limited.

In addition, measures taken by Beijing to stimulate domestic demand are expected to have a limited spillover effect on the country's export industries. For this reason, we expect that a rapid recovery in Japan's plastics machinery is unlikely. The future of Japan's auto industry is unclear, and orders and sales for plastics machinery are expected to remain low in fiscal 2009, unchanged from the second half of the previous fiscal year.

Consequently, we expect orders for plastics machinery of ¥45.5 billion (US\$463 million), and sales of ¥35.5 billion (US\$361 million).

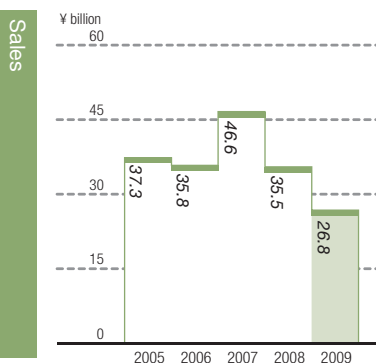
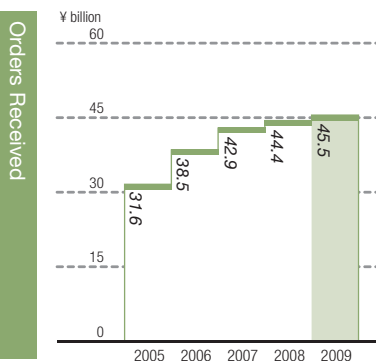
Other Machinery Sector



Die-casting Machine



Wind Turbine System



Performance in fiscal 2008

In IT equipment and laser annealing systems, in the first half of fiscal 2008 several influential Korean customers froze its capital investment. Then, in the second half of fiscal 2008, Japanese, Taiwanese and Korean flat panel makers postponed projects or cancelled orders due to bad business situation caused by the global financial crisis. Both orders and sales declined for magnesium alloy injection molding machines, with applications limited to notebook PCs. In contrast, wind turbine system equipment, which benefits from a significant backlog of orders, saw a slight decline in sales due to customers' schedule delays affected by a changing the applying rule of building construction standards. Orders for wind turbine system equipment benefited from increase of the maximum limit of electricity produced by wind turbine by some electric power companies in Japan to increase their wind turbine system businesses.

As a result, sales in the other machinery sector declined ¥8.7 billion to ¥26.8 billion (US\$273 million), while orders increased ¥1.1 billion to ¥45.5 billion (US\$463 million).

Forecast for fiscal 2009

Regarding IT equipment and laser annealing systems, we anticipate the widespread adoption of low temperature polysilicon (LTPS) for small and medium-sized flat panel displays. The LTPS technology enables manufacturers to make these panels high-definition slimmer and more lightweight. Moreover, the business environment is showing signs of a gradual recovery, as evidenced by the rising plant operation rates of Korean and Taiwanese LCD panel makers. We are also expecting a rise in orders of magnesium alloy injection molding machines and die-casting machines for applications in the automobile industry. We have a substantial backlog in wind turbine system equipment, and sales and orders are expected to rise.

As a result, in the Other Machinery sector we forecast sales of ¥51.5 billion (US\$524 million) and orders of ¥63.5 billion (US\$646 million).

Review of Operations

Regional Development

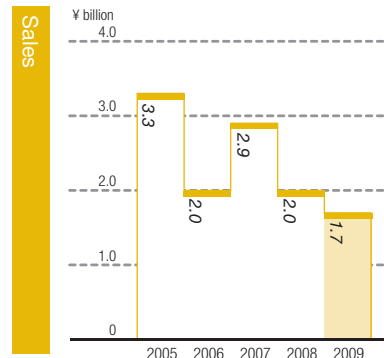
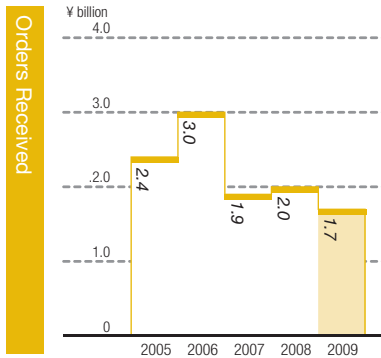
Regional Development



Business Office Development
(Fuchu Intelligent Park)



JSW Apartment Building Development
(Fuchu, Tokyo)



Performance in fiscal 2008

Orders totaled ¥1,766 million (US\$18 million) and sales came to ¥1,767 million (US\$18 million). Operating income rose by ¥54 million, or 8%, to ¥743 million (US\$8 million). This increase was due largely to successful cost-cutting measures.

Capital Expenditures

Capital expenditures for the reporting period totaled ¥25,882 million (US\$263 million), with the majority spent on installation, improvement and maintenance work on a variety of production facilities at the parent company.

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

In the steel products business, capital expenditures totaled ¥22,555 million (US\$230 million). This expenditure consisted largely of investments to enlarge buildings and upgrade equipment at steel-making plants, the installation of new equipment and the upgrading of existing equipment at forging plant facilities, as well as the expansion of buildings at machinery plants.

In the machinery products business, capital expenditures came to ¥3,135 million (US\$32 million) as a result of the construction of a fourth assembly plant at our Hiroshima Plant, and investments to raise machine processing efficiency.

In the regional development business, capital expenditure consisted primarily of the upgrading of facilities on real estate for rental purposes, totaling ¥43 million (US\$0.4 million).

Capital expenditures unallocable to individual segments came to ¥147 million (US\$1 million).