Message from the President

Aiming to be the number one global *monozukuri* company

Ikuo Sato
Representative Director & President

Business performance

In the fiscal year ended March 31, 2010, while global financial market confusion subsided and economic recovery in emerging nations including China drove overseas demand, Japan's economy, appeared to have bottomed due to inventory adjustments and other factors. Nevertheless, with the strong yen and low capital investments along with continuing deflation and still adverse employment conditions, the economic situation remained unpredictable.

Amid this environment, and despite our focus on capturing demand in emerging economies to further build up Group enterprise value, orders received in fiscal 2009 fell 13% year on year on a consolidated basis to ¥209,843 million (US$2,255 million), due to a weak performance by the Steel Products and Machinery Products businesses. The lackluster year for these two divisions also pushed sales down 11% year on year on a consolidated basis, to ¥201,680 million (US$2,167 million).

At the bottom line, we took proactive steps to lower our break-even point by slashing the cost of sales (targeting variable costs and further pruning fixed costs), increasing production volume and streamlining production through large-scale capital investments, and rationalizing inventory and accounts receivable management to further strengthen our financial position. Nonetheless, operating income fell 12% year on year to ¥32,185 million (US$345 million) in light of the lower sales figure, and ordinary income slipped 13% to ¥31,246 million (US$335 million). Net income climbed 9% to ¥17,528 million (US$188 million) due to a shrinking loss on disposal of tangible and intangible assets resulting from capital investments recorded in the previous fiscal year and a decreasing loss on write-downs of investment securities. Orders were also down, therefore net sales declined in both the Steel Products and Machinery Products segments, coming in at ¥209,843 million (US$2,255 million), a 13% year-on-year decrease.

Taking into consideration the large-scale investment in equipment being undertaken at the Muroran Plant and the need to ensure a sufficient level of retained earnings, we have decided to keep our annual dividend at the previous year's level of ¥12 per share, with ¥6 per share paid mid-term, and ¥6 per share to be paid at the term-end.

Forecasts for fiscal 2010

Despite a recovery phase in Japan's economic situation, its future remains uncertain due to financial instability and the appreciating yen. By segment, against a backdrop of growing global energy demand including that from emerging countries, sales in the Steel Products segment for components for thermal and nuclear power plants are expected to remain firm. Demand for clad pipe for use in natural gas fields should also increase. In the Machinery Products segment, while demand for wind turbine system equipment, which depends heavily on future government policies, is expected to decline due to a temporary slow down in growth, demand for plastic injection molding machines should rise thanks to a pickup in automotive demand in China and a step up in LED-related investments in Japan. Despite stiff competition with European firms that have been heavily hit by fluctuating exchange rates, demand for plastics manufacturing and processing machinery should increase owing to the expected resumption of planned investment in China and other emerging countries.

Thanks to rising capacity utilization due to increased orders and extensive and rigorous cost reduction activities, we can expect to see a rise in profitability. Even so, we expect profits to decline temporarily owing to a higher depreciation burden associated with large capital investments in the Muroran Plant, the effects of sharply rising raw material prices and other factors.

Demand for components for nuclear power plants and clad pipes should remain brisk. Although pressure vessels for oil refineries are expected to face stiffer competition due to the appreciating yen, demand is expected to increase in emerging countries. In the Machinery Products segment, despite an expected decrease in demand for wind turbine system equipment, the outlook is for higher demand for plastics manufacturing and processing machinery and plastic injection molding machines due to a resurging need for capital investments in emerging countries.

As a result, the consolidated forecast for fiscal 2010 is net sales of ¥208,000 million, operating income of ¥25,500 million, ordinary income of ¥25,000 million and net income of ¥14,000 million. We expect to pay an annual dividend in fiscal 2010 of ¥12 per share, with ¥6 per share to be paid mid-term, and ¥6 per share to be paid at the term-end, the same as in fiscal 2009.

JSW will do its utmost to further develop and improve its proprietary technology and expand its foundation for growth. To that end, I ask for the continued understanding and support of all shareholders.

New Medium-Term Management Plan "JGP2012"

Beginning from May 2010, we initiated "JGP2012," our medium-term management plan that covers the three-year period starting from fiscal 2010. JSW's business vision is to become a "company that creates change" with creative technology, and contributes to the development of society. The goal is to further develop *monozukuri* (good manufacturing practices)—the source of corporate value—and to become the number one global *monozukuri* company. (Please see pages 6 and 7, Medium-Term Management Plan (JGP2012), for more details)

Business Projections for Fiscal Year Ending March 31, 2011

(¥ billion)

	FY2008	FY2009 (A)	FY2010 forecast (B)	Year-on-year change (B) – (A)
Net sales	227.1	201.6	208.0	6.4
Operating income	36.6	32.1	25.5	(6.6)
(Operating margin)	16.1%	16.0%	12.3%	
Ordinary income	35.9	31.2	25.0	(6.2)
Net income	16.0	17.5	14.0	(3.5)
Net income per share (yen)	43.19	47.22	37.72	(9.5)
Dividend per share (yen)	12.0	12.0	12.0	0.0

Forecast for FY2010

- Sales of steel products, plastics manufacturing and processing machinery, and molding machines are projected to exceed the previous year, while sales of wind turbine systems and other machinery are expected to decrease. As a result, net sales are projected to increase by 6.4 billion yen over the previous year.
- Operating income is projected to decrease by 6.6 billion yen from the previous year. This is mainly due to the increase in depreciation expenses in the Steel Products Segment and higher raw material prices.

June 2010

Ikuo Sato

Representative Director & President

Topics

New 14,000-ton hydraulic press installed at Muroran Plant

Against a background of growing demand for steel products, JSW's equipment investments total ¥80.0 billion (¥50.0 billion in the first phase of the project and ¥30.0 billion in the second).

We have completed the No.2 Forging Shop, and the No.2 Heat Treatment Shop, key facilities in the first phase of our investment plan, and launched operations of a second hydraulic press that can handle up to 14,000 tons. The first phase is scheduled to complete during fiscal 2010, ending March 2011, and the second phase in the second half of fiscal 2011.

Our new 14,000-ton hydraulic press at the Muroran Plant, which has now come onstream.