# Message from the President


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Representative Director & President

## Overview of Fiscal 2018

### Business performance

In fiscal 2018, ended March 31, 2019, overseas economies continued to grow moderately. Despite concerns over an economic slowdown arising from such factors as escalating U.S.-China trade frictions, the decelerating Chinese economy, and Brexit, overall overseas economies grew because of the favorable employment situation and strong consumer spending in the United States, Europe, and other industrialized countries. Although somewhat impacted by a succession of natural disasters such as torrential rains and earthquakes, the Japanese economy also achieved mild growth underpinned by an improvement in the employment situation and an expansion in capital investment.

With respect to the JSW Group's operating environment, in the Industrial Machinery Products Business segment demand for plastic products was strong due in part to a shift toward reducing automobile weight; however, demand for materials for automobile-use lithium-ion batteries was temporarily stagnant. In addition, the operating condition became even tougher in the second half of the fiscal year as capital investment was impacted by the U.S.-China trade frictions and turned anemic. The Steel and Energy Products Business segment continued to face difficult operating circumstances due to a contraction in the market for large cast/forged steel products despite a sign of recovery in demand for clad steel plates and pipes on the back of expanding demand for natural gas.

Under these conditions, the JSW Group formulated a banner of "'Growth' in Industrial Machinery Products Business, 'Rebirth' in Steel and Energy Products Business" and promoted its business activities centered around three basic policies in accordance with the medium-term management plan entitled JGP2020, which was formulated in May 2018 to lay out strategies for the three years until the fiscal year ending March 31, 2021. These three basic policies are: 1) optimization of management resources and strengthening of alliances; 2) strengthening after-sales services (stock-based business); and 3) acceleration in exploration and development of new businesses.

For fiscal 2018, total orders amounted to ¥216,155 million (US$1,948 million), down 8.3% from the previous year, due to decreases in orders in both the Industrial Machinery Products Business and Steel and Energy Products Business segments. Net sales edged up 4.0% to ¥220,153 million (US$1,984 million), with higher sales in both the Industrial Machinery Products Business and Steel and Energy Products Business segments. With regard to profits, the JSW Group posted operating income of ¥24,290 million (US$219 million), up 18.0%; ordinary income of ¥27,925 million (US$252 million), up 26.3%; and profit attributable to owners of parent of ¥19,966 million (US$180 million), up 86.4%.

Looking ahead, the world economy is expected to continue growing moderately, driven mainly by ongoing improvements in employment and consumer spending in the United States and an anticipated economic recovery due to the effects of various measures in China. In Japan, we expect the economy to mildly grow on the back of improvements in employment and capital investment. On the other hand, uncertainties regarding trade issues, the impact on exporting companies due to the prolonged Brexit process, the effect of the consumption tax hike on the Japanese economy, and other factors require close monitoring.

Under these circumstances, the JSW Group formulated the medium-term management plan (JGP2020), which sets out strategies for the three years until the fiscal year ending March 31, 2021, and promoted business activities accordingly. However, more significant changes have arisen in the market trends in our mainstay Industrial Machinery Products Business than assumed at the time of the management plan formulation, including a stagnant market for materials for automobile-use lithium-ion batteries in China, uncertainties in the capital investment trend due to the impact of U.S.-China trade frictions, and other factors. As a result of such drastic changes in our business environment, we are revising the numerical targets in the medium-term management plan (net sales of over ¥260 billion (US$2,343 million) and consolidated operating income of ¥30 billion (US$270 million)). The new numerical targets will be disclosed as soon as possible after deliberate consideration. We are certain, however, that our basic strategies are still effective, so we will maintain the measures for implementing the plan.

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