Message from the Management

Company posts record profits amid harsh business conditions

Masahisa Nagata
Representative Director & Chairman of the Board of Directors (right)

Ikuo Sato
Representative Director & President (left)

Business performance

The financial meltdown in the U.S. last September triggered a global economic downturn during the second half of the term under review, and the Japanese economy also slowed down. The yen's rapid appreciation against the dollar and the euro forced Japanese exporters to cut production, and business performance weakened. At the same time, companies curbed plant and equipment investments, and stocks declined further, leading to a deterioration in corporate performance on an unprecedented scale. A worsening employment environment and sluggish consumer spending have resulted in a protracted economic recession, with no prospects of a recovery in sight.

Against this backdrop, JSW achieved record sales, operating income, and ordinary income. The Machinery Products segment was sluggish, but the Steel Products segment achieved a strong performance. Consequently, sales in the reporting term increased 3% year-on-year to ¥227,113 million (US$2,312 million). A rise in profits accompanied the growth in sales. In the Steel Products segment, a steady flow of orders enabled stable operation rates and cost reductions through improved productivity. We were also able to raise product prices to reflect the rise in raw materials prices. As a result, operating income rose 13% year-on-year to ¥36,633 million (US$373 million) and ordinary income increased 16% to ¥35,949 million (US$366 million), marking record profit levels. In contrast, net income declined 8% to ¥16,034 million (US$163 million) as a result of losses on the valuation of investment securities and the disposal of obsolete facilities accompanying investment in new equipment.

Orders received for the reporting term, on a consolidated basis, posted a 9% decrease from the preceding term, to ¥240,420 million (US$2,448 million), due to a lackluster performance by the

Machinery Products segment, which more than offset a brisk performance in the Steel Products segment.

Accomplishment in our medium-term management plan

We are in the final year of the revised medium-term management plan "J2008R," which covers the two years of fiscal 2007 and 2008. The main targets of this management plan are the enhancement of business scale, the improvement of capital efficiency, and the promotion of CSR. To respond to the growing demand worldwide for energy, and especially the heightened need for clean energy, we are undertaking large-scale capital investment and working to raise production efficiency. During the term, we took steps to improve the efficiency of assets and the soundness of our financial position. We conducted inventory adjustments, and made efforts to achieve an early recovery of accounts receivable and to secure advances. However, as explained above, there was a rapid deterioration in our business environment from September onward, and total sales declined to slightly below the target, due to a significant sales decline in the Machinery Products segment. Meanwhile, we made efforts to reduce production costs and cut fixed costs. In the Steel Products segment, sales and orders received remained firm, pushing up the capacity utilization rate, causing the Company's operating income and ordinary income to exceed targets by a large margin. Net income also exceeded targets, despite the registering of losses on the valuation of investment securities and the disposal of obsolete facilities.

Numerical targets and results (Consolidated)

(¥ billion)

	Term ended March 31, 2008			Term ended March 31, 2009		
	Targets under J2008R	Results	Increase/ (decrease)	Targets under J2008R	Results	Increase (decrease)
Sales	217.0	220.8	3.8 1.8%	235.0	227.1	(7.9) (3.4%)
Operating income	26.0	32.4	6.4 24.6%	29.0	36.6	7.6 26.2%
Ordinary income	25.0	30.8	5.8 23.2%	27.5	35.9	8.4 30.5%
Net income	13.0	17.4	4.4 33.8%	14.5	16.0	1.5 10.3%
Net interest-bearing debt (assets), excluding lease obligations	10.0	(7.9)	(17.9)	14.0	6.4	(7.6)

Note: Amounts less than ¥100 million have been rounded down.

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 2009

Steadily working toward achievement of fiscal 2009 targets

There are no signs that the global economy will recover any time soon, and demand trends in our customer markets also remain unclear. For these reasons, we decided not to draft a new medium-term management plan for fiscal 2009. Instead, we have set the following targets for the current term, which will serve as the basis for the next term's plan.

Priority Issues

- Cutting production costs and reducing capital investment expenses
- Realizing further technological superiority to secure top market shares in even more products
- Raising employee skill levels
- Investing resources in staff hiring and training, to create top-class work force
- Pursuit of CSR targets
- Ensuring workplace and higher product quality

Main tasks by segment

Steel Products

1) Major equipment investment plans being undertaken at the Muroran Plant will be tailored to comply with changes in product segment demand.
2) Further expansion in sales of energy-related products such as pressure vessels for power plants (both thermal and nuclear) and oil refineries.

Machinery Products

1) Acquiring further orders from emerging economies, particularly China, for plastics manufacturing and processing and molding machinery.
2) Steps to expand sales and improve profitability of wind turbine system business; also steps to expand sales of IT equipment and speed up development in this field.

By segment, the Steel Products segment, with its substantial order backlog, is expected to continue showing a strong performance centering primarily on sales of products in the thermal power generation and nuclear power generation fields. Amid growing demand worldwide for energy and the global trend toward environmental load reductions, we expect to see a further expansion in orders for components for thermal power plants, which are becoming larger in scale and more efficient, and also nuclear power plants. Demand is also expected to be strong for pressure vessels for oil refineries. Despite an increased burden for depreciation expenses accompanying plant and equipment investment, we expect earnings to be on par with the previous year's level as a result of an anticipated increase in sales and a rising capacity utilization rate accompanying a continuing upward trend in orders, which began in fiscal 2008.

In the Machinery Products segment, we expect further growth in wind turbine system equipment due to the growing demand for clean energy. In contrast, sales are expected to weaken for plastics machinery, processing equipment and plastic injection molding machinery as a result of a decline in equipment investment by the automobile industry, the leading customers for this equipment. Despite a persistent harsh environment for plastic injection molding equipment orders, given the trend among automakers and home electronic appliance makers to postpone equipment investment, we are taking steps to win orders for plastics machinery and processing equipment from China and other emerging economies. We thus expect to see a year-on-year rise in orders in this segment.

Taking into account the considerations stated above, we forecast sales of ¥217 billion (US$2,209 million), operating income of ¥28 billion (US$285 million), ordinary income of ¥27 billion (US$275 million), and net income of ¥15.5 billion (US$158 million).

On June 29, President Masahisa Nagata was appointed Chairman of the Board of Directors, and managing director Ikuo Sato was appointed President. Under this new management lineup we will continue to fully utilize our proprietary technologies and pursue technological advances to remain competitive despite the current harsh conditions. We appreciate the ongoing support and understanding of our shareholders.

June 2009

Masahisa Nagata
Representative Director & Chairman of the Board of Directors

Ikuo Sato
Representative Director & President

Topics

Equipment investment at our Muroran Plant

Our Muroran Plant is equipped with cutting-edge large-scale equipment, such as a hydraulic press that can handle up to 14,000 tons, and a 100-ton ESR (electroslag remelting) furnace. The plant manufactures a wide variety of products. In addition to large items, it produces small- and medium-sized cast and forged steel products, clad steel plates and clad steel pipes. At the Muroran Plant, production of energy-related items for use in thermal and nuclear power plants and wind turbine system facilities is expected to total ¥132.5 billion (US$1,349 million) in fiscal 2009, and demand is expanding rapidly. To respond to this rapid growth, JSW is undertaking investments totaling ¥80 billion (US$814 million), to be implemented in two stages. In the first phase we will invest a total of ¥50 billion (US$509 million) for plant construction, and have set aside another ¥30 billion (US$305 million) in the second phase for additional equipment investment.

The facility at our Muroran Plant currently undergoing expansion (Steel ingot production plant)

Through this series of investments, we will be able to expand our production capabilities for large forged steel products from the second half of fiscal 2010. Thus, in fiscal 2010 we plan to raise production capacity for forged steel products for nuclear power plants to approximately three times the fiscal 2007 level (specifically, to 12 units per year). Through such an expansion in production capacity, we are working to meet the growing global demand for these products.