Message from the President

Naotaka Miyauchi
Representative Director & President

Overview of Fiscal 2016

Business performance

In fiscal 2016, ended March 31, 2017, overseas economies were affected by economic slowdown in China, stagnation in emerging nations stemming from falling commodity prices, and financial turmoil following the United Kingdom's decision to exit the European Union. Owing partly to buoyant economic sentiment following the U.S. presidential election, however, the world economy maintained an overall recovery tone. The Japanese economy also recovered moderately on the back of healthy corporate earnings and improved worker recruitment and income conditions.

With respect to the JSW Group's operating environment, the Industrial Machinery Products Business segment performed well for the most part, thanks to increased demand for plastics machinery on the back of growing worldwide demand for plastic raw materials and plastic products, especially in the automotive sector. However, conditions remained difficult for the Steel and Energy Products Business segment, reflecting a prolonged slump in demand for products used in nuclear power plants and the rise of manufacturers from emerging nations.

Fiscal 2016 was the second year of the Group's medium-term management plan, titled JGP2017, which was formulated in May 2015 and covers the three-year period to fiscal 2017. The slogan of the plan is "Advancing toward Top Global & Niche Corporate Group," and its aim is to achieve the top share at key points in customer value chains. During the year, we advanced our business activities according to three basic policies: (1) increase the profitability of existing businesses, (2) foster new products and businesses and make them competitive as soon as possible, and (3) reinforce Group management and promote alliances.

For the year, total orders amounted to ¥177,585 million (US$1,582 million), down 16.1% from the previous year. This was due to declines in orders generated by both the Steel and Energy Products Business and Industrial Machinery Products Business segments. Net sales fell 4.9%, to ¥212,469 million (US$1,893 million), due to lower sales in the Steel and Energy Products Business segment, which contrasted with higher sales in the Industrial Machinery Products Business segment. Operating income fell 14.4%, to ¥12,340 million (US$109 million), and ordinary income was down 14.3%, to ¥12,111 million (US$107 million). For the year, we reported a loss attributable to owners of parent of ¥4,968 million (US$44 million), from ¥16,600 million (US$147 million) in the previous year. This was due to an impairment loss of ¥17,800 million (US$158 million) on fixed assets owned by the Muroran Plant, arising from a prolonged delay in the recovery of the Steel and Energy Products Business segment's operating performance, following an impairment loss of ¥35,400 million (US$315 million) in the previous fiscal year.

Looking ahead, the world economy is expected to continue recovering moderately, driven by the U.S., European, and other industrialized economies. By contrast, various uncertain factors remain, such as declines in crude oil and other resource prices and fluctuations in financial markets impacted by political trends in Europe. In Japan, we expect the economy to remain on a moderate recovery path, but the outlook is unpredictable due to China's slowdown, the effect of U.S. trade policies on exporting companies, and geopolitical risks in East Asia.

Under these circumstances, the JSW Group's Steel and Energy Products Business segment will continue facing a difficult business environment amid a prolonged delay in demand recovery for electric power and nuclear power products. To achieve a return to profitability, we will continue rebuilding our business foundation and fostering new businesses. In the Industrial Machinery Products Business segment, we will expedite business expansion by pursuing growth opportunities, especially in China and other overseas markets.

Our consolidated forecasts for fiscal 2017 are: total orders of ¥200.0 billion (US$1,782 million), net sales of ¥205.0 billion (US$1,827 million), operating income of ¥12.5 billion (US$111 million), ordinary income of ¥12.5 billion (US$111 million), and profits attributable to owners of parent of ¥8.0 billion (US$71 million).

We look forward to the renewed guidance and support of all shareholders.

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