Accounts Settlement for Third-Quarter Period of Fiscal 2010 (Term ending March 2011) Supplemental Explanatory Materials

(Overview of Settlement & Business Performance Forecast)

January 31, 2011

JFE SHOJI HOLDINGS, INC.

Contents

1. FY2010 Third-Quarter Accounts Settlement: Key Points

- Sales in the automotive sector remained buoyant despite a reduction in output volume following the termination of “eco car” subsidies, and demand rallied overseas in the construction and industrial machinery sectors. Exports to Asia too helped push sales up ¥153.1 billion year on year to ¥1,503.1 billion on a consolidated basis.
- Ordinary income rose by ¥9.1 billion year on year to ¥18.4 billion as profits improved for Group companies, both domestically and overseas.
- Net income for the quarter increased ¥6.3 billion year on year to ¥11.6 billion, due to ¥9.1 billion increase in ordinary income plus extraordinary losses, coupled with adjustments to income taxes and minority interests.

2. Consolidated Statements of Income

(Billions of yen)

	1st half (Apr. - Sept.)	3rd Q (Oct. - Dec.)	Reporting 9-month period	Previous 9-month period	Cumulative YoY change	% change
Net sales	996.6	506.5	1,503.1	1,350.0	① 153.1	11%
Gross profit	36.1	18.3	54.4	47.1	② 7.3	15%
Gross profit margin	3.6%	3.6%	3.6%	3.5%	0.1%	
Selling, general and administrative expenses	24.7	12.1	36.8	37.6	③ (0.8)	-2%
Operating income	11.4	6.2	17.6	9.5	8.1	85%
Non-operating income (losses)	0.4	0.4	0.8	(0.2)	④ 1.0	
Ordinary income	11.8	6.6	18.4	9.3	9.1	98%
Extraordinary income (losses)	(0.1)	--	(0.1)	--	⑤ (0.1)	
Income before income taxes	11.7	6.6	18.3	9.3	9.0	97%
Net income	7.4	4.2	11.6	5.3	6.3	119%

(Billions of yen)

①② Net sales/Gross profit on sales

● JFE Shoji Trade (nonconsolidated)	+163.4	+2.8
• Steel	+116.9	+2.2
• Raw materials/machinery and materials	+46.5	+0.6
● Three spun-off construction materials companies	-1.4	-0.5
● Domestic subsidiaries	+7.7	+1.8
● Overseas subsidiaries	+11.7	+2.1
● Consolidated adjustments	-30.4	+0.6
● JFE Shoji HD, 3 new affiliates (Consolidated)	+2.1	+0.5

③ Selling, general and administrative expenses

Decrease in personnel & general expenses, others

④ Non-operating income and expenses

Equity in earnings +1.0, others

⑤ Extraordinary losses

Reporting nine months:
Asset retirement obligation -0.1

Previous nine months: None

3. Consolidated Balance Sheet (Summary)

(Billions of yen)

	Reporting 9-month-end (end of Dec.)	Previous term-end	YoY change
Total assets	584.1	526.8	① 57.3
Net assets	115.3	107.1	② 8.2
Interest-bearing liabilities	113.6	108.1	③ 5.5
*D/E ratio	1.03	1.06	(0.03)
*Equity ratio	18.9%	19.4%	-0.5%

*D/E ratio = interest-bearing liabilities / (net assets - minority interests)
*Equity ratio = (net assets - minority interests) / total assets

(Billions of yen)

① Total assets

Year-on-year increase of ¥57.3 billion to ¥584.1 billion, due to an increase in trade notes and accounts receivable and inventories on rising steel material prices and sales volumes.

Cash and deposits: +2.2
Trade notes and accounts receivable: +46.0
Inventories: +7.8, others

② Net assets

(Breakdown of ¥8.2 billion increase)

Retained earnings: +10.4
(net income +11.6, dividends paid -1.2)
Valuation and translation adjustments: -2.4
(shares -0.6, foreign exchange -1.8)
Minority interests: +0.2, others

③ Interest-bearing liabilities

Increase of ¥5.5 billion year on year to ¥113.6 billion due to increase in working capital along with higher steel material prices, etc.

4. Consolidated Statement of Cash Flows (Summary)

(Billions of yen)

	Reporting 9-month period (Apr. - Dec.)
Cash flows from operating activities	4.3
Cash flows from investing activities	(6.4)
Free cash flow	(2.1)
Cash flows from financing activities	5.3
Cash equivalents: translation adjustment	(0.7)
Net increase in cash and cash equivalents	2.5
Cash and cash equivalents at beginning of year	24.2
Cash and cash equivalents at end of year	26.5

(Billions of yen)

●Cash flows from operating activities

Income before income taxes and minority interests	+18.3
Depreciation and amortization	+4.2
Net increase in trade receivables held by Group companies	-3.2
Increase in inventories	-9.2
Income taxes paid (net of refunding)	-3.0, others

●Cash flows from investing activities

Acquisition of non-current assets and shares, etc

●Cash flows from financing activities

Increase in borrowing	+6.9
Cash dividends paid	-1.2, others

5. Segment Information

(Billions of yen)

	Reporting 9-month period (Apr. - Dec.)	
	Net sales	Ordinary income
Steel and steel peripheral	1,477.4	17.5
Food	18.3	0.6
Semiconductors	7.1	0.3
Real estate, other	0.3	(0)

※ The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, dated March 27, 2009) and the Revised Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, dated March 21, 2008) has been applied from the first quarter of the current consolidated fiscal period.

●Steel and steel peripherals

Steel business:

Focused efforts on marketing activities in the environmental and energy industries in addition to having worked energetically to expand sales in emerging Asian nations and the Middle Eastern region. We established steel materials processing bases in Thailand and India, to meet expected growth in demand for automotive steel sheets.

For reference: YoY comparison of sales volume and unit price for steel materials (JFE Shoji Trade, nonconsolidated)

◆Domestic steel: Volume base: up 807,000 tons; Unit price: down ¥300/ton

◆Steel export: Volume base: down 469,000 tons; Unit price: up US$209/ton

Ave. USD rate (Apr. - Dec.): ¥94.50 ⇒ ¥87.63

Raw materials business:

We took measures to switch coal procurement to US and Indonesian suppliers, following the fall in coal production and shipments from flood-hit Australia. In auxiliary materials, we were quick to take measures to secure supplies of silicon- and manganese-based ferroalloys, in which our dependence on China is significant. We also acted to expand sales of chrome molybdenum for high-grade steel. In the scrap iron field, we continued measures to upgrade domestic shipment collection points and develop new suppliers to more promptly service changing demand from blast- and electric-furnace steelmakers. We continued to invest aggressively in resources. In the coal sector, we have acquired new interests in Australia.

●Food

Sales of “third-category beer” from South Korea were solid, and sales of canned marine produce to the Middle East and Africa and China-produced canned fruit were also strong.

●Semiconductors

Performance was robust thanks to a global recovery in demand. Sales of our ICs for office equipment were solid and imaging circuit boards for gaming devices were also up. On January 1, 2011, this business was merged with Kawasho Electronics Corporation, a subsidiary of JFE Shoji Trade, to create JFE Shoji Electronics Corporation.

●Real estate, other

Undertook the sale of real estate holdings.

6. Forecasts for Business Performance and Dividend for FY2010 ①

Developments in the steel industry

- We expect exports to remain firm, chiefly to Asian countries.
- Domestic demand is likely to remain sluggish in the construction and civil engineering sectors, and the automotive sector too faces a lingering correction after the end of government stimulus measures. However, we expect the construction and industrial machinery sectors to continue to show recovery momentum.
- Recovery in our operating environment is expected, but concerns remain, such as a correction following the withdrawal of stimulus measures by governments around the world, supply and demand trends for steel materials in China and other Asian countries, rising prices for raw materials, fiscal instability in southern Europe and exchange-rate movements. We need to monitor the situation carefully.

- **We have revised our targets in light of the greater-than-expected climb in the value of the yen.**
- **Massive flooding in Australia has adversely affected the profitability of our coal investment subsidiaries.**

Earnings forecast lowered

(Announced January 31, 2011)

6. Forecasts for Business Performance and Dividend for FY2010 ②

JFE

Lowering of initial earnings forecast announced on April 28, 2010

(Billions of yen)

Full-year consolidated business performance	Revised forecast (Jan. 31, 2011)	Original target (Apr. 28, 2010)	YoY change	FY2009 results
Net sales	2,050.0	2180.0	(130.0)	1,811.9
(Versus original target)	(-6%)			
Operating income	23.5	25.5	(2.0)	15.1
(Versus original target)	(-7.8%)			
Ordinary income	24.0	25.0	(1.0)	14.5
(Versus original target)	(-4%)			
Net income	15.0	15.5	(0.5)	7.5
(Versus original target)	(-3.2%)			

Dividend per share (Paid at year-end)	¥10	¥10		¥5

7. 2nd Medium-Term Management Plan (FY2009 - 2011)

The JFE Shoji Group's 2nd Medium-Term Management Plan
(April 2009 - March 2012)

Management vision:
"One of the leading steel trading companies in the world"

Specific measures:

■ **Capturing longer-term growth in demand overseas**

Steel business
- □Further strengthen the roles of established oversea marketing bases and steel materials processing centers.
- □Establish steel materials processing centers to meet the needs of customers in China, India and other emerging countries.
- □Move forward aggressively in building collaborative relationships, including capital tie-ups with firms involved in the steel industry, including our customers, primarily in the Asian region.

Raw materials business
- □Continue to develop new suppliers of steel materials including iron ore and coal and assure supplies of auxiliary materials. Continue to review high-grade resource investments.
- □Further step up export and import activities and trilateral trade relationships (involving three countries) with the fast-growing emerging economies.

■ **Customer satisfaction activities**

□The Group is currently working to improve customer satisfaction. We constantly ask ourselves during our daily sales activities and through employee training whether we are accurately understanding the needs of customers, and are taking needed improvement measures in each department.

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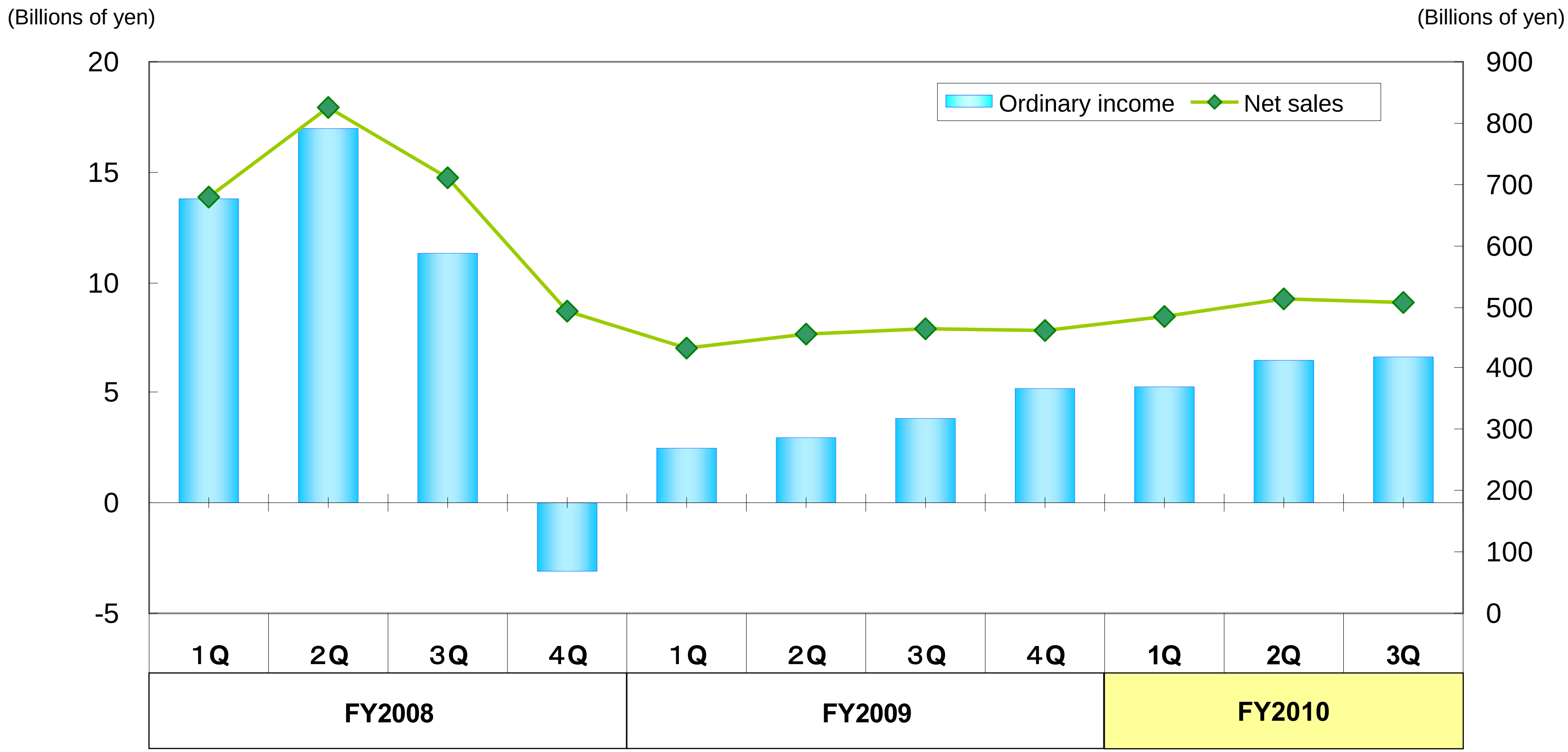
□We constantly ask, are we truly satisfying our customers and making ourselves indispensable, and seek to expand sales by always taking the customer's perspective.

■ **Focusing greater effort on staff training**

Enhance training programs and promote systematic personnel rotation in order to develop enthusiastic employees who can respond to the changing times, and employees with a global outlook and the ability to flourish both in Japan and overseas.

8. <Reference> Net Sales and Ordinary Income (Consolidated)



(Billions of yen)

	FY2008				FY2009				FY2010		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	679.3	824.5	711.0	491.8	432.0	455.1	462.9	461.9	484.0	512.6	506.5
Ordinary income	13.8	17.0	11.3	(3.1)	2.5	3.0	3.8	5.2	5.3	6.5	6.6

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