

**Accounts Settlement for  
First Quarter Period of Fiscal 2011  
(Term ending March 2012)  
Supplemental Explanatory Materials**  
(Overview of Settlement & Business Performance Forecast)

July 28, 2011



**JFE SHOJI HOLDINGS, INC.**

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## 1. FY2011 First-Quarter Accounts Settlement: Key Points

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- ◆ **Sales rose by ¥36.1 billion YoY, to ¥520.1 billion, on the back of the inexorable rise of prices for the main steel-making raw materials, especially record prices for iron ore and coal, and the ensuing price increases of steel materials.**
- ◆ **Ordinary income fell by ¥0.6 billion YoY to ¥4.7 billion, reflecting weak sales in the civil engineering and construction sector due to a decline in public investment.**
- ◆ **Net income for the quarter sank ¥0.4 billion YoY to ¥2.7 billion, primarily due to the ¥0.6 billion decline in ordinary income.**

## 2. Consolidated Statements of Income

(Billions of yen)

	Reporting 1st Q (April - June)	Previous 1st Q	YoY change	
				% change
Net sales	520.1	484.0	① 36.1	7%
Gross profit	16.5	17.6	② (1.1)	(6%)
Gross profit margin	3.2%	3.6%	(0.5%)	
Selling, general and administrative expenses	12.2	12.5	③ (0.3)	(2%)
Operating income	4.3	5.1	(0.8)	(16%)
Non-operating income	0.4	0.2	④ 0.2	
Ordinary income	4.7	5.3	(0.6)	(11%)
Extraordinary income (losses)	-	(0.1)	⑤ 0.1	
Income before income taxes	4.7	5.2	(0.5)	(10%)
Net income	2.7	3.1	(0.4)	(13%)

### ①② Net sales/Gross profit on sales

● JFE Shoji Trade (nonconsolidated)	+24.1	-0.3
- Steel	+9.1	-0.3
- Raw materials/machinery and materials	+15.0	+0.0
● 3 spun-off construction materials companies	+2.6	-0.1
● Domestic subsidiaries	+1.0	-0.6
● Overseas subsidiaries	+13.4	-0.1
● Consolidated adjustments	-5.6	-0.1
● JFE Shoji HD, 3 new affiliates (consolidated)	+0.6	+0.1

### ③ Selling, general and administrative expenses

Decrease in selling expenses, others

### ④ Non-operating income and expenses

Dividend income, others

### ⑤ Extraordinary losses

Previous 1st Q: Asset retirement obligations -0.1

### 3. Consolidated Balance Sheet (Summary)

(Billions of yen)

	Reporting 1st Q-end (end of June)	Previous term-end	YoY change
<b>Total liabilities and net assets</b>	<b>572.0</b>	<b>571.3</b>	① <b>0.7</b>
<b>Total net assets</b>	<b>118.0</b>	<b>117.4</b>	② <b>0.6</b>
<b>Interest- bearing liabilities</b>	<b>114.7</b>	<b>107.1</b>	③ <b>7.6</b>
<b>D/E ratio</b>	<b>1.02</b>	<b>0.95</b>	<b>0.07</b>
<b>*Equity ratio</b>	<b>19.7%</b>	<b>19.7%</b>	<b>0.0%</b>

#### ① Total liabilities and net assets

Rose by ¥0.7 billion over the end of the previous period to ¥572.0 billion

Cash and deposits:	-3.3
Trade notes and accounts receivable:	-0.5
Inventories:	+3.6, others

#### ② Total net assets

(Breakdown of ¥0.6 billion increase)

Increase factors

Net income:	¥2.7 billion
Valuation and translation adjustments:	¥0.2 billion

Decrease factors

Dividends paid:	¥2.3 billion
Minority interests:	¥0.0 billion

#### ③ Interest-bearing liabilities

Rose by ¥7.6 billion over the end of the previous period, to ¥114.7 billion, due to an increase in working capital, etc. resulting from an increase in advance payments.

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

\* **Equity ratio** = (net assets - minority interests) / total assets

## 4. Consolidated Statement of Cash Flows (Summary)

(Billions of yen)

	Reporting 1st Q-end (April - June)
Cash flows from operating activities	(6.8)
Cash flows from investing activities	(1.5)
Free cash flow	(8.3)
Cash flows from financing activities	4.7
Effect of exchange rate change on cash and cash equivalents	0.3
Net increase in cash and cash equivalents	(3.3)
Cash and cash equivalents at beginning of year	31.5
Cash and cash equivalents at end of year	28.2

### ● Cash flows from operating activities

Income before income taxes and minority interests	+4.7
Depreciation and amortization	+1.3
Net increase in trade receivables held by Group companies	-4.9
Increase in inventories	-3.1
Income taxes paid (net of refunding)	-5.9, others

### ● Cash flows from investing activities

Purchase of tangible fixed assets	-1.0
Purchase of intangible assets	-0.2, others

### ● Cash flows from financing activities

Increase in borrowing	+7.0
Cash dividends paid	-2.2, others

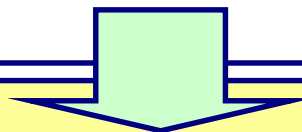
## 5. Segment Information (1) Steel & Steel Peripherals

(Billions of yen)

	Net sales			Ordinary income		
	Reporting 1st Q-end (end of June)	Previous 1st Q	YoY change	Reporting 1st Q-end (end of June)	Previous 1st Q	YoY change
Steel and steel peripheral	509.9	474.5	35.4	4.3	4.9	(0.6)

Main factors behind ¥0.6 billion decline in ordinary income ~ Steel & Steel Peripherals ~

- ◆ JFE Shoji Trade +0.2
  - Domestic steel: Volume base: down 104,000 tons YoY; Unit price: up ¥9,000/ton
  - Steel export: Volume base: down 7,000 tons YoY; Unit price: up \$145/ton
  - Ave. US\$ rate: ¥91.87 ⇨ ¥82.16
- ◆ Group companies -0.7
  - Domestic subsidiaries: -0.2
  - Overseas subsidiaries: -0.1
  - Equity method companies: -0.4
- ◆ Consolidated adjustments -0.1



Ordinary income declined ¥0.6 billion YoY primarily due to weak sales in the civil engineering and construction sector, which offset increased sales due to a higher unit price.

## 5. Segment Information (2) Other Segments



(Billions of yen)

Segment	Net sales			Ordinary income			Main Factors
	Reporting 1st Q-end	Previous 1st Q	YoY change	Reporting 1st Q-end	Previous 1st Q	YoY change	
Food	6.7	5.4	1.3	0.3	0.3	0.0	Reported increased sales due to a sharp rise in sales of canned and processed livestock products and canned fruit on the back of strong demand after the earthquake, in addition to expansion of business for third category (low malt) beer from South Korea.
Electronics (*)	3.5	4.1	(0.6)	0.1	0.2	(0.1)	Posted declines in sales and profits due to the earthquake, which, though impacting slightly on semiconductor business, caused all customers to freeze or postpone capital investment projects in surface mounting business.
Real estate	0.0	0.1	(0.1)	0.0	(0.1)	0.1	Continued the sale of real estate holdings.

\* As a result of the business integration of Kawasho Semiconductor Corporation and Kawasho Electronics Corporation, reportable operating segments were reviewed and, from the first quarter under review, the Semiconductors business is changed to the Electronics Business.

In January 2011, Kawasho Semiconductor Corporation and Kawasho Electronics Corporation merged to form JFE Shoji Electronics Corporation.

\* Results for the same period of the previous year are restated to reflect the change in reportable operating segments.



## 6. Forecasts for Business Performance and Dividend for FY2011 (1)



### Developments in the steel industry

- In Japan, the auto industry's supply chain and other key supply chains would be restored, and activity in the construction machinery and industrial machinery sector is also expected to recover.
- Exports are likely to remain strong, especially exports to emerging Asian economies.
- While, overall, we project a gradual rebound in steel demand as stated above, there are also many elements of concern, including the further expansion of production capacity in China and South Korea, the slowdown of the economic recovery in the US, credit concerns in Europe, and the strong yen, so we will need to pay careful attention to circumstances going forward.

Business results for  
the first quarter  
trended broadly in line  
with expectations

No change in the full year  
business results forecast

(Announced April 27, 2011)

## 6. Forecasts for Business Performance and Dividend for FY2011 (2)



### No change in the full year business results forecast announced April 27

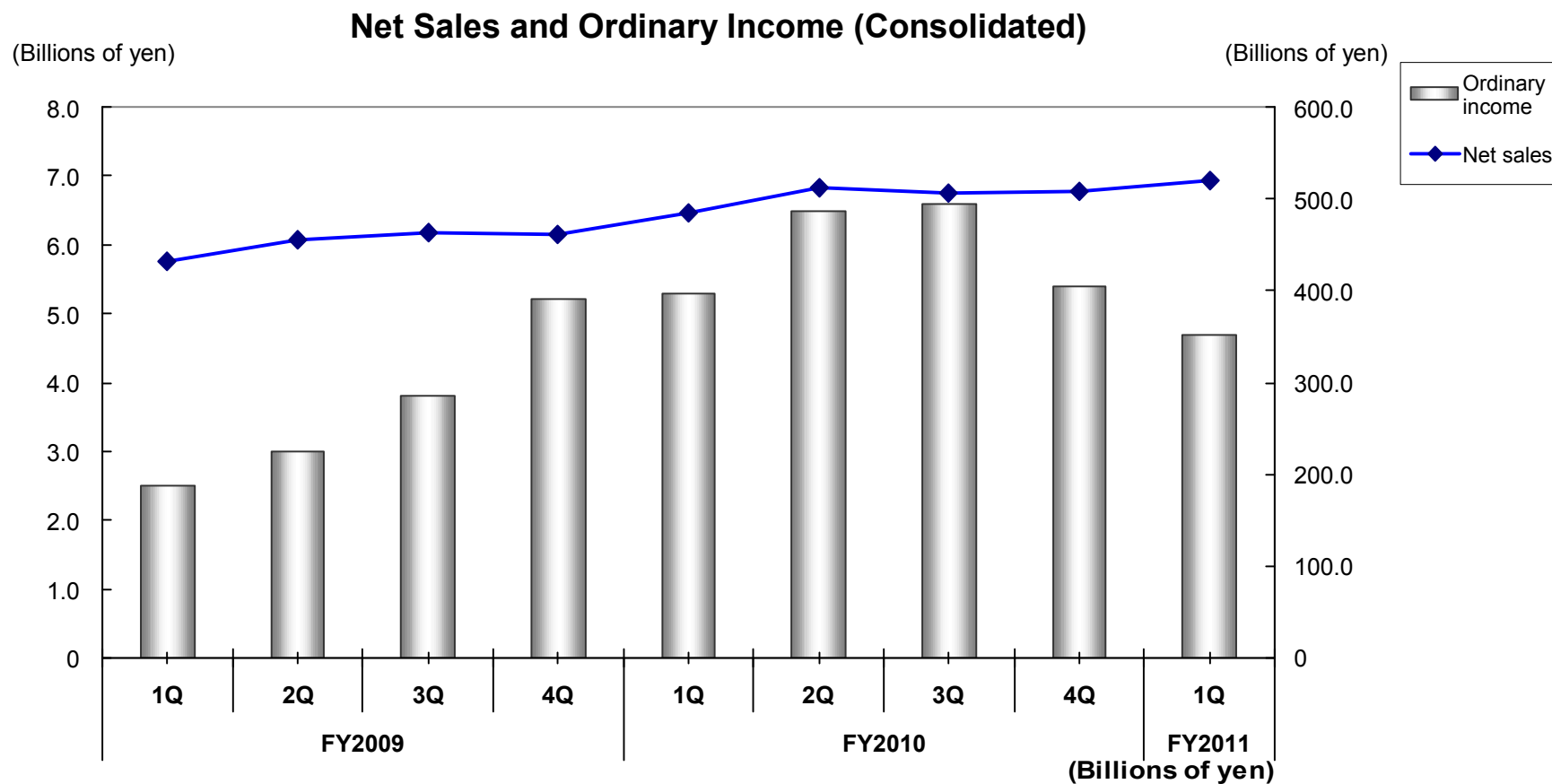
(Billions of yen)

Full-year consolidated business performance	FY2011 forecasts	FY2010 results	YoY change	% change
Net sales	<b>2,330.0</b>	2,011.5	318.5	16%
Operating income	<b>27.5</b>	23.4	4.1	18%
Ordinary income	<b>27.0</b>	23.8	3.2	13%
Net income	<b>16.5</b>	13.6	2.9	21%

Dividend per share	<b>¥10</b> Interim dividend of 5 yen per share planned Year-end dividend of 5 yen per share planned	¥10 Paid at year-end
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\* Please see the separate "Notice Concerning Revision of the Dividend Forecast," which was disclosed today, for the revision in the consolidated dividend forecast for the first half-period of FY2011.

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



	FY2009				FY2010				FY2011
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	432.0	455.1	462.9	461.9	484.0	512.6	506.5	508.4	520.1
Ordinary income	2.5	3.0	3.8	5.2	5.3	6.5	6.6	5.4	4.7



**JFE**

#### Disclaimer

The reader is advised that this presentation contains forward-looking statements. As opposed to statements of historical fact, these constitute estimates or projections based on facts known to the Company's management at the time of writing, and actual results may therefore differ substantially from such statements.