

# Summary of Financial Performance for the First Quarter of Fiscal 2011

## (Consolidated basis)

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —

July 28, 2011

Name of the listed company: **JFE Shoji Holdings, Inc.**

Code No.: 3332 Stock exchange: Tokyo Stock Exchange and Osaka Securities Exchange (1<sup>st</sup> section)

URL: <http://www.jfe-shoji-hd.co.jp>

Representative: Mikio Fukushima, President

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Scheduled date for submission of quarterly report: August 5, 2011

Date for initiation of dividend payments (subject to change): not applicable

Prepared supplementary presentation material on quarterly results: Yes

Held quarterly results briefing: No

\* All amounts are rounded down to the nearest million yen.

### 1. Results for the First Quarter (April 1 to June 30, 2011)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income	
1st quarter ended June 30, 2011	¥520,086	7.5%	¥4,277	(15.7)%	¥4,680	(12.1)%
1st quarter ended June 30, 2010	483,986	12.0	5,076	104.8	5,323	116.2

  

	Net income		Earnings per share (¥)		Diluted EPS (¥)	
1st quarter ended June 30, 2011	¥2,725	(12.7)%	¥11.54		¥—	
1st quarter ended June 30, 2010	3,123	128.5	13.22		—	

Notes: 1. Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

2. Comprehensive income

As of June 30, 2011: ¥3,019 million (80.3%) As of June 30, 2010: ¥1,674 million (—%)

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio
As of June 30, 2011	¥571,985	¥118,044	19.7%
As of March 31, 2011	571,364	117,426	19.7

Note: Owners' equity

As of June 30, 2011: ¥112,850 million As of March 31, 2011: ¥112,290 million

### 2. Dividends

	Cash dividends per share (¥)				
	Quarter-end			Year-end	Annual
Common stock:	1st	2nd	3rd		
Year ended March 31, 2011	¥—	¥0.00	¥—	¥10.00	¥10.00
Year ending March 31, 2012	—				
Year ending March 31, 2012 (forecast)		5.00	—	5.00	10.00

Note: Revisions to dividend payment forecasts during the reporting quarter: not applicable

### 3. Business Performance Forecasts for the Year Ending March 31, 2012

(April 1, 2011 to March 31, 2012)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share (¥)
First-half period	¥1,050,000	5.4%	¥ 9,500	(16.4)%	¥ 9,500	(19.6)%	¥ 5,500	(26.1)%	¥23.29
Full term	2,330,000	15.8	27,500	17.7	27,000	13.5	16,500	20.9	69.88

Notes: 1. Percentage figures represent year-on-year comparisons.

2. Revisions to performance forecasts during the reporting quarter: applicable

#### 4. Others

(1) Significant changes in the scope of consolidation

Inclusion: none

Exclusion: none

(2) Application of special accounting methods for quarterly consolidated financial statements: not applicable

(3) Changes in accounting policies, accounting estimates and correction of errors

Changes in accounting policies due to revision of the accounting standards: not applicable

Changes in accounting policies other than above: not applicable

Changes in accounting estimates: not applicable

Correction of errors: not applicable

(4) Number of ordinary shares issued at the end of the period

As of June 30, 2011: 236,777,704 shares                      As of March 31, 2011: 236,777,704 shares

Number of shares in treasury at the end of the period

As of June 30, 2011: 661,689 shares                      As of March 31, 2011: 659,985 shares

Average number of shares during the period

1st quarter ended June 30, 2011: 236,116,722 shares

1st quarter ended June 30, 2010: 236,142,444 shares

\*Disclosure of Implementation Status of Quarterly Review Procedures

Quarterly review procedures under the Financial Instruments and Exchange Law had not been completed as of the release of this financial report.

\*Appropriate use of earnings forecasts and other matters

The earnings forecasts and other forward-looking statement noted in this document are based on information available at the time and on assumptions deemed rational. Actual earnings may differ significantly due to various factors. For further information regarding the assumptions on which earnings forecasts are based and other relevant information, please refer to page 4 "Qualitative Data Relating to Consolidated Earnings Forecasts."

# Business Performance and Financial Position

## 1. Qualitative Data Relating to Consolidated Business Performance in the Quarter under Review

### (1) Qualitative Data Relating to Consolidated Business Performance

During the period under review, the global economy continued to expand supported by ongoing strong growth in emerging economies, particularly in Asia, despite a slow pace of recovery in some advanced economies amid weaker consumer spending and poor job market conditions in the U.S. and financial instability in Europe.

The Japanese economy was affected by the March 11 Great East Japan Earthquake, which led to a sharp drop in consumer spending and production activity. The earthquake disrupted supply chains, especially in the automotive sector, leading to a halt in production activity at a wide range of companies. This weighed heavily on growth in the Japanese economy.

In the steel industry, our core business field, domestic demand remained weak centered on the civil engineering sector, due to lower public works spending. In the automotive sector and other manufacturing industries, the recovery in output following the disaster was faster than expected, but demand fell sharply owing to an unavoidable decline in overall business activity. Despite firm demand from emerging economies in Asia, steel exports were weak owing to the impact of softer prices, as steelmakers in China, South Korea and other countries boosted output.

Performance by segment is outlined below.

#### Steel and Steel-Peripheral Businesses

In the steel business, we actively worked to expand sales in high-growth Asian emerging economies and the Middle East, and invested aggressively with a view to capturing projected growth in demand for steel products over the medium- and long-term. Specifically, we established JFE Shoji Steel India Private Ltd., our 15th overseas steel processing center, in Pune City, Maharashtra State, India. In Indonesia, where the economy is growing strongly, P.T. JFE Shoji Steel Indonesia made the decision to expand its facilities with the addition of a large slitter line, giving it the ability to respond to a wide range of demand, particularly in the automotive sector.

In the field of raw materials, steel raw material prices remained at a high level, with iron ore and coal prices both registering record highs. Against this backdrop, we acquired new interests in the Codrilla mine in the Australian state of Queensland to secure stable supplies of high-grade PCI coal, which is in high demand from steelmakers. Also, we established a new scrap iron collection yard in Tohoku, where freight movements have declined due to the disaster, in order to effectively utilize the scrap from the Tohoku region. We have started shipping the collected scrap by sea to Western Japan.

As a result of the above, the Steel and Steel-Peripheral Businesses reported sales of ¥509,857 million, an increase of ¥35,384 million year on year. However, due to factors such as weak sales in the civil engineering and construction sectors, ordinary income declined ¥557 million year on year to ¥4,269 million.

#### Food Business

In the Food Business, we worked to win new customers and increase business with existing customers for South Korean-made "third-category beer (low malt)". We also boosted sales of canned processed meat and canned fruit due to an increase in demand after the earthquake. As a result, sales in this business increased ¥1,329 million year on year to ¥6,728 million, and ordinary income rose ¥28 million to ¥292 million.

#### Electronics Business

In the Electronics Business, the semiconductor division reported stable earnings owing to minimal impact from the earthquake. However, the operating environment overall remained challenging, with customers in the mounting equipment division freezing or delaying capital investment across the board after the earthquake. As a result of the above, sales in the Electronics Business declined ¥563 million year on year to ¥3,465 million, and ordinary income fell ¥112 million to ¥141 million. Effective from the first quarter under review, the Semiconductor Business has been reclassified as the Electronics Business. This follows the merger between Kawasho Semiconductor Corporation and Kawasho Electronics Corporation and the incorporation of the mounting equipment division.

## **Real Estate Business**

In the Real Estate Business, we worked to rapidly sell real estate holdings, but sales declined ¥90 million year on year to ¥52 million. The business also incurred an ordinary loss of ¥52 million.

As a result of the above, sales on a consolidated basis increased ¥36,100 million year on year to ¥520,086 million. However, operating income declined ¥799 million to ¥4,277 million, ordinary income fell ¥643 million to ¥4,680 million, and net income declined ¥398 million to ¥2,725 million.

## **(2) Qualitative Information on the Consolidated Financial Position**

### **[1] Assets, Liabilities & Net Assets**

Total assets as of the end of the first quarter of the current consolidated fiscal year were ¥571,985 million, an increase of ¥621 million compared with the end of the previous fiscal year, owing mainly to a rise in steel inventories.

Net assets increased by ¥618 million from the previous fiscal year-end to ¥118,044 million. This reflected quarterly net income of ¥2,725 million and an improvement in foreign currency translation adjustments, outweighing a decline in the unrealized gains on available-for-sale securities resulting from a drop in share prices for stock holdings.

### **[2] Cash Flows**

Net cash used by operating activities was ¥6,752 million, due mainly to an increase in funds advanced to customers. This reflected a drop in domestic business after the earthquake followed by a recovery in sectors such as auto manufacturing.

Net cash used in investing activities was ¥156 million, due to continued capital investment to expand fabrication capacity and enhance product quality and safety.

Net cash provided by financing activities was ¥4,715 million. This reflected an increase in working capital from fund procurement through the issue of commercial paper, which outweighed cash dividends paid.

## **(3) Qualitative Data Relating to Consolidated Earnings Forecasts**

We forecast continued expansion in the global economy driven by high-growth emerging economies, particularly in Asia. However, disruption in global financial markets is a concern, amid emerging issues related to the raising of the national debt limit in the U.S. and the risk that Greece's sovereign debt problems may spread to Spain and Italy. In China as well, obstacles to growth such as serious power shortages and persistently high inflation are a concern. Overall, instability is growing in the global economy.

In Japan, recent political instability and restrictions on power usage in the summer that could hold back production activity in a number of industries are areas for concern, but as the country pushes ahead with earthquake recovery efforts, we expect business activity to return to pre-earthquake levels from the middle of the year and see this supporting a moderate economic recovery.

In the steel industry, our core business field, we expect the automotive and other sectors to gradually restore supply chains. We also project recovery in the construction machinery and industrial machinery sectors. Exports are likely to remain firm, mainly to emerging economies in Asia, and we see this supporting a moderate upturn in overseas steel demand. However, we will be monitoring conditions closely, given a large number of concerns such as prospects for further increases in steel output by companies in China and South Korea, the possibility of economic slowdown in the U.S. and financial instability in Europe, and yen appreciation.

We are implementing the JFE Shoji Group's second medium-term management plan, which covers the three-year period from April 2009 to March 2012. In the current fiscal year, the plan's final year, we are implementing measures aimed at achieving medium-term goals through the Group's collective efforts.

In addition, we are currently formulating the Group's third medium-term management plan, which will start from fiscal 2012. The third plan, which is being formulated with input from across the Group, will clearly define our medium- and long-term vision for JFE Shoji and the growth strategies needed to realize that vision.

We have revised our consolidated net sales forecast for the second quarter (first six months) of the fiscal year to ¥1,050 billion, in order to resolve a discrepancy in our sales calculation between the second quarter and the third quarter onwards. Our forecasts for operating income, ordinary income, net income and net income per share are unchanged.

Our sales forecast for the full-year is unchanged, as the above revision has no impact on full-year consolidated earnings.

Note: The forecast mentioned above was formulated based on information obtainable by the Company at present. Actual results may differ from the forecast due to various factors arising in the future.

## **2. Other Information**

### **(1) Significant Changes in the Scope of Consolidation**

Not applicable

### **(2) Application of Special Accounting Method for Quarterly Consolidated Financial Statements:**

Not applicable

### **(3) Changes in Accounting Policies, Accounting Estimates and Correction of Errors:**

Not applicable

## Consolidated Balance Sheets

	Millions of yen	
	June 30, 2011	March 31, 2011
<b>Assets</b>		
Current assets:		
Cash and deposits	¥ 28,277	¥ 31,551
Trade notes and accounts receivable	321,595	322,108
Merchandise and finished products	62,921	59,522
Work in process	593	552
Raw materials and supplies	17,616	17,428
Other current assets	35,376	33,421
Allowance for doubtful receivables	(1,826)	(1,847)
Total current assets	464,554	462,737
Non-current assets:		
Tangible fixed assets	37,917	38,061
Intangible assets	5,158	5,503
Investments and other assets:		
Other	66,567	67,279
Allowance for doubtful receivables	(2,212)	(2,217)
Total investments and other assets	64,355	65,062
Total non-current assets	107,431	108,627
Total assets	¥571,985	¥571,364

Note: Amounts under one million yen are omitted.

	Millions of yen	
	June 30, 2011	March 31, 2011
<b>Liabilities</b>		
Current liabilities:		
Trade notes and accounts payable	¥298,926	¥304,539
Short-term borrowings	78,746	78,105
Accrued income taxes	2,005	6,020
Other reserve	577	1,067
Other current liabilities	49,541	39,942
Total current liabilities	429,798	429,676
Non-current liabilities:		
Long-term debt	14,000	14,000
Other reserve	5,449	5,452
Other	4,693	4,809
Total non-current liabilities	24,142	24,262
Total liabilities	453,940	453,938
<b>Net assets</b>		
Shareholders' equity:		
Share capital	20,000	20,000
Capital surplus	17,428	17,428
Retained earnings	84,107	83,742
Treasury stock	(357)	(356)
Total shareholders' equity	121,178	120,814
Accumulated other comprehensive income (loss):		
Net unrealized holding gain on securities	3,238	3,829
Net deferred gain on hedges	41	0
Land revaluation reserve	(322)	(322)
Translation adjustments	(11,285)	(12,031)
Total accumulated other comprehensive loss	(8,327)	(8,523)
Minority interests	5,194	5,136
Total net assets	118,044	117,426
Total liabilities and net assets	¥571,985	¥571,364

## Consolidated Statements of Income

	Millions of yen	
	1st quarter ended June 30, 2011	1st quarter ended June 30, 2010
Net sales	¥520,086	¥483,986
Cost of sales	503,543	466,420
Gross profit	16,543	17,566
Selling, general and administrative expenses	12,266	12,490
Operating income	4,277	5,076
Non-operating income:		
Interest income	94	91
Dividend received	409	231
Equity in earnings of unconsolidated subsidiaries and affiliates	—	461
Other	624	1,077
Total non-operating income	1,128	1,861
Non-operating expenses:		
Interest expense	430	444
Equity in loss of unconsolidated subsidiaries and affiliates	60	—
Other	234	1,170
Total non-operating expenses	724	1,614
Ordinary income	4,680	5,323
Extraordinary losses:		
Impact due to application of the Accounting Standard for Asset Retirement Obligations	—	54
Total extraordinary losses	—	54
Income before income taxes and minority interests	4,680	5,269
Income taxes:		
Current	1,794	2,079
Deferred	104	10
Total income taxes	1,899	2,089
Income before minority interests	2,781	3,179
Minority interests	56	56
Net income	¥ 2,725	¥ 3,123

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	1st quarter ended June 30, 2011	1st quarter ended June 30, 2010
Income before minority interests	¥2,781	¥3,179
Other comprehensive income		
Net unrealized holding loss on securities	(582)	(2,135)
Net deferred gain (loss) on hedges	41	(45)
Translation adjustments	728	637
Share of other comprehensive income of associates accounted for using equity method	49	39
Total other comprehensive income (loss)	237	(1,505)
Comprehensive income	3,019	1,674
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	2,921	1,576
Comprehensive income attributable to minority interests	97	98

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Cash Flows

	Millions of yen	
	1st quarter ended June 30, 2011	1st quarter ended June 30, 2010
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	¥ 4,680	¥ 5,269
Depreciation and amortization	1,320	1,421
Decrease in other reserve	(526)	(74)
Interest and dividend income	(504)	(322)
Interest expense	430	444
Equity in loss (earnings) of unconsolidated subsidiaries and affiliates	60	(461)
Decrease (increase) in trade notes and accounts receivable	1,387	(5,414)
Increase in inventories	(3,083)	(825)
Increase (decrease) in trade notes and accounts payable	(6,323)	4,270
Other, net	1,484	(63)
Subtotal	(1,072)	4,242
Interest and dividend received	641	878
Interest paid	(385)	(410)
Income taxes paid	(5,936)	(1,449)
Proceeds from refund of income taxes	1	12
Net cash provided by (used in) operating activities	(6,752)	3,273
<b>Cash flows from investing activities</b>		
Increase in time deposits	(8)	(127)
Proceeds from withdrawal of time deposits	0	95
Purchases of tangible fixed assets	(1,062)	(724)
Proceeds from sale of tangible fixed assets	24	58
Purchases of intangible assets	(219)	(251)
Increase in loans receivable	(279)	(67)
Collection of loans receivable	8	99
Other, net	30	31
Net cash used in investing activities	(1,506)	(887)
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	22	1,337
Increase in commercial paper	7,006	1,999
Repayment of finance lease obligations	(87)	(153)
Repayment of long-term debt	—	(15)
Revenues from capital contributions by minority shareholders	31	91
Cash dividends paid	(2,174)	(1,052)
Cash dividends paid to minority shareholders	(82)	(127)
Other, net	(0)	(1)
Net cash provided by financing activities	4,715	2,079
Effect of exchange rate changes on cash and cash equivalents	260	(0)
Net increase (decrease) in cash and cash equivalents	(3,283)	4,464
Cash and cash equivalents at beginning of period	31,501	24,231
Decrease in cash and cash equivalents due to exclusion from consolidation	—	(191)
Cash and cash equivalents at end of period	¥28,217	¥28,505

Note: Amounts under one million yen are omitted.

## Notes on Premise of Going Concern

Not applicable

## Segment Information

Previous First Quarter Period (From April 1, 2010 to June 30, 2010)

### 1. Information on Sales, Profits and Losses for Each Reporting Segment

	Millions of yen						
	1st quarter ended June 30, 2010						
	Reporting Segment					Adjustments	Amount Booked to the Quarterly Consolidated Statements of Income
Steel and Steel Peripherals	Food	Electronics	Real Estate	Total			
Net sales:							
Outside customers	¥474,452	¥5,367	¥4,024	¥142	¥483,986	¥ —	¥483,986
Intersegment	21	32	4	—	57	(57)	—
Total	474,473	5,399	4,028	142	484,044	(57)	483,986
Segment Profits (Losses)	¥ 4,826	¥ 264	¥ 253	¥(64)	¥ 5,279	¥ 43	¥ 5,323

### 2. Total Amount of Profits or Losses for Segments Reported, Amount Booked on the Quarterly Consolidated Statements of Income, as Well as the Difference between These and Reasons for That Difference (Information Concerning Adjustments for Differences)

	Millions of yen	
	Profits	Total Amount
Total of reporting segments		¥5,279
Elimination of intersegment transactions		198
Total unallocatable company profits (losses) (Note)		(154)
Ordinary income on the quarterly consolidated statements of income		¥5,323

Note: Total unallocatable company profits (losses) mainly consist of corporate general and administrative expenses and non-operating profits and losses not attributable to the reporting segments.

Reporting First Quarter Period (From April 1, 2011 to June 30, 2011)

## 1. Information on Sales, Profits and Losses for Each Reporting Segment

Millions of yen							
1st quarter ended June 30, 2011							
	Reporting Segment					Adjustments	Amount Booked to the Quarterly Consolidated Statements of Income
	Steel and Steel Peripherals	Food	Electronics	Real Estate	Total		
Net sales:							
Outside customers	¥509,853	¥6,723	¥3,457	¥52	¥520,086	¥—	¥520,086
Intersegment	3	5	8	—	17	(17)	—
Total	509,857	6,728	3,465	52	520,103	(17)	520,086
Segment Profits (Losses)	¥ 4,269	¥ 292	¥ 141	¥(52)	¥ 4,650	¥ 30	¥ 4,680

## 2. Total Amount of Profits or Losses for Segments Reported, Amount Booked on the Quarterly Consolidated Statements of Income, as Well as the Difference between These and Reasons for That Difference (Information Concerning Adjustments for Differences)

Millions of yen	
1st quarter ended June 30, 2011	
Profits	Total Amount
Total of reporting segments	¥4,650
Elimination of intersegment transactions	166
Total unallocatable company profits (losses) (Note)	(135)
Ordinary income on the quarterly consolidated statements of income	¥4,680

Note: Total unallocatable company profits (losses) mainly consist of corporate general and administrative expenses and non-operating profits and losses not attributable to the reporting segments.

## 3. Items Related to Changes in Reportable Segments

Segment classification methods were reviewed following the merger between Kawasho Semiconductor Corporation and Kawasho Electronics Corporation. As a result, from the first quarter under review, the Semiconductor Business was reclassified as the Electronics Business.

Amounts for sales, profits and losses in each reportable segment for the same quarter in the previous fiscal year have been revised to reflect the new business segment classifications.

## Additional Information

Owing to changes to accounting policies and restatements of historical accounting errors effective from the start of the first quarter of the current fiscal year, the Company has applied “Accounting Changes and Error Corrections” (ASBJ Statement No. 24 released on December 4, 2009) and “Guidance on Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 released on December 4, 2009).