

Accounts Settlement for First- Quarter Period of Fiscal 2009 (term ending March 2010) and Business Performance Forecasts for Fiscal 2009

July 28, 2009



JFE商事 ホールディングス 株式会社

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1. FY2009 First-Quarter Accounts Settlement: Key Points

- ◆ Sales declined by ¥247.3 billion from the previous first quarter, to ¥432.0 billion due to a decrease in the volume of steel materials and raw materials sold, as well as lower selling prices.
- ◆ Ordinary income of the Company declined by ¥11.3 billion year-on-year to ¥2.5 billion. This is attributable to across-the-board declines in subsidiaries of ¥7.3 billion, among which a decline in JFE Shoji Trade (on a non-consolidated basis) accounted for ¥4.0 billion.
- ◆ Net income for the quarter declined by ¥6.1 billion year-on-year, to ¥1.4 billion.

2. Consolidated Statements of Income



(Billions of yen)

Consolidated statements of income	Reporting 1st Q (April - June)	Previous 1st Q	YoY change	% change
Net sales	432.0	679.3	① (247.3)	-36%
Gross profit on sales	14.8	26.9	② (12.1)	-45%
(Gross profit margin)	(3.4%)	(4.0%)	(-0.6%)	
Selling, general and administrative expenses	12.3	13.9	③ (1.6)	-12%
Operating income	2.5	13.0	(10.5)	-81%
Non-operating income	(0)	0.8	④ (0.8)	
Ordinary income	2.5	13.8	(11.3)	-82%
Extraordinary income (losses)	-	(0.5)	⑤ 0.5	
Net income	1.4	7.5	(6.1)	-81%

① Net sales

- JFE Shoji (nonconsolidated) (¥194.4 billion)
 - Steel (100.3)
 - Raw materials/machinery and materials (94.1)
- 3 new spun-off companies
(construction materials and steel pipes) (¥38.5 billion)
- Domestic subsidiaries (¥29.6 billion)
- Overseas subsidiaries (¥18.6 billion)
- JFE Shoji HD, 3 new affiliates (¥2.2 billion)
- Consolidation adjustments ¥36.0 billion

② Gross profit on sales

- JFE Shoji (nonconsolidated) (¥4.7 billion)
- Domestic subsidiaries (¥5.7 billion)
- Overseas subsidiaries (¥1.3 billion), etc.

③ Selling, general and administrative expenses

Declines in SG&A expenses and personnel expenses, etc.

④ Non-operating income and expenses

Decline in profits on equity in investments, etc.

⑤ Extraordinary losses

Reporting 1st Q: None

Previous 1st Q: Valuation loss on inventories (¥0.5 billion)

3. Consolidated Balance Sheet (Summary)



(Billions of yen)

Balance sheets	Reporting 1st Q-end (end of June)	Previous term-end	YoY change	Main factors in change
Total liabilities and net assets	555.0	635.5	(80.5)	Trade notes and accounts receivable: -54.0 (JFE Shoji Trade: -28.6, 3 new spun-off companies (construction materials and steel pipes): -18.4) Cash and deposits: -17.9 Inventories: -11.8 (JFE Shoji Trade: -8.6, 3 new spun-off companies (construction materials and steel pipes): -0.9, JFE Shoji Construction Materials Sales Corporation: -0.5, others)
Total net assets	118.9	114.7	4.2	Retained earnings: +0 (Net income: +1.4, term-end dividend payments: -1.4, others) Valuation and translation adjustments: +4.7 (shares: +2.5, foreign exchange: +2.0) Minority interests: -0.5
Interest-bearing liabilities	137.6	147.8	(10.2)	JFE Shoji Trade: -9.5 (Short-term borrowings) Overseas subsidiaries: +1.3 (Effects of changes in exchange rates: +2.0), others
D/E ratio	1.21	1.36	(0.15)	Interest-bearing liabilities/(net assets - minority interests)
Equity ratio	20.4%	17.1%	3.3%	(Net assets - minority interests)/total assets

4. Consolidated Statements of Cash Flows (Summary)



(Billions of yen)

Statements of cash flows	Reporting 1st Q-end (April - June)	Breakdown
Cash flows from operating activities	(3.7)	Income before income taxes and minority interests: +2.5, depreciation expenses: +1.5, net increase in trade receivables held by Group companies: -17.2, decrease in inventories: +13.4, payment of income taxes: -8.0, others
Cash flows from investing activities	(0.9)	Purchases of property and equipment (computer system investments, investment in equipment at processing centers, etc.): -0.9 (JFE Shoji Trade: -0.5, Jiangsu JFE Steel Products: -0.1, Tochigi Shearing: -0.1, others)
Free cash flow	(4.6)	
Cash flows from financing activities	(14.0)	Repayment of borrowings: -12.3, dividend payments by JFE Shoji Holdings: -1.2, others
Net decrease in cash and cash equivalents	(17.9)	(Including +0.7 billion on exchange rate changes on cash and cash equivalents)
Cash and cash equivalents at end of year	43.7	

5. Segment Information ① (Steel and steel-peripheral)



(Billions of yen)

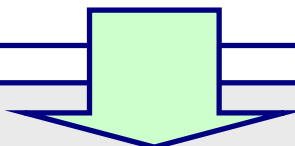
Segment	Net sales			Operating income		
	Reporting 1st Q (April - June)	Previous 1st Q	YoY change	Reporting 1st Q (April - June)	Previous 1st Q	YoY change
Steel and steel-peripheral	425.1	669.9	(244.8)	2.4	12.8	(10.4)

JFE Shoji Trade (nonconsolidated) Down ¥4,100 million

- ◆Domestic steel ... Volume base: down 747 tons YoY, price + ¥17,900/ton
- ◆Steel exports ... Volume base: down 154 tons YoY, price - \$246.5/ton, (Exchange rate: ¥103 → ¥98)
- ◆Raw materials ... Revenues and earnings declined due to lower volume of steel raw materials, scarp, and cokes handled, as well as lower unit prices

Group Companies Down ¥6,300 million

- ◆Domestic subsidiaries ... Down ¥5,100 million
- ◆Overseas subsidiaries ... Down ¥1,200 million (Including coal investment company: up 600 million)



We worked to increase the volume of sales and improve profitability, but revenues and earnings both declined due to the failure of steel demand to stage a full-scale recovery, leading to a decline in steel product prices.

5. Segment Information ② (Non-steel segments)



(Billions of yen)

Segment	Net sales			Operating income			Breakdown
	Reporting 1st Q (April - June)	Previous 1st Q	YoY change	Reporting 1st Q (April - June)	Previous 1st Q	YoY change	
Food	5.4	6.5	(1.1)	0.1	0.1	0	A decline in the volume of frozen seafood and Chinese processed food handled led to a fall in sales. Operating income was unchanged as a decline in sales was offset by increased imports of the Korean Prime Draft “third-category” low-malt beer as well as frozen seafood for processing in Japan, plus a growth in sales of GEISHA-brand canned food to customers in the U.S., the Middle East, and Africa.
Semiconductor	1.4	2.7	(1.3)	(0)	0.1	(0.1)	The Company worked to expand its transactions in integrated circuits for use in telecommunications and image-processing circuit boards used for game consoles and similar products, but trading in ASICs was adversely impacted by major production cutbacks by customers in the mainline sector of office equipment. As a result, both sales volume and unit selling prices declined, leading to lower revenues and an operating loss.
Real estate	0.1	0.1	0	(0)	(0)	(0)	Steps taken to facilitate disposal of real estate holdings.

6. Forecasts for Business Performance and Dividend for FY2009 ①



Developments in the steel industry

- Inventory adjustments by the automotive and electric equipment industries seem to have been completed and production levels are gradually rising, but the manufacturing sector overall is expected to continue adjusting inventories for some time, and thus the speed of recovery of steel demand is likely to be fairly slow overall.
- Steel market prices both at home and abroad are expected to continue showing a weak tone.

Steps to ensure targets are reached

- Steps to maximize selling volume to existing customers and to expand sales through acquisition of new customers
- Reducing SG&A expenses and cutting financial costs through reduction of inventories and working capital
- Implementing measures to improve earnings, centered on cost-cutting
 - Improving yields at processing plants in Japan and overseas
 - Optimizing processing system through amalgamation of operations on production lines with low capacity utilization rates

No change in business performance forecasts made on April 28, 2009

Results for FY2009 Q1 on a consolidated basis were generally in line with our forecasts.

Reforming the work process at JFE Shoji Trade

We are pursuing a work process reform program called J-SLIM, which is aimed at realizing more creative work processes with a higher added value. This involves the efficient use of the J-BEAT core computer system and the provision of advanced infrastructure elements such as videoconferencing equipment. With the goal of achieving significant improvement, we intend to do our best to think outside the box with respect to the Company's systems and administrative processes, and to be open to a wide range of promising ideas. Our ultimate goal is to develop a corporate culture in which all employees will constantly seek ways to achieve still further improvements to our administrative procedures.

6. Forecasts for Business Performance and Dividend for FY2009 ②

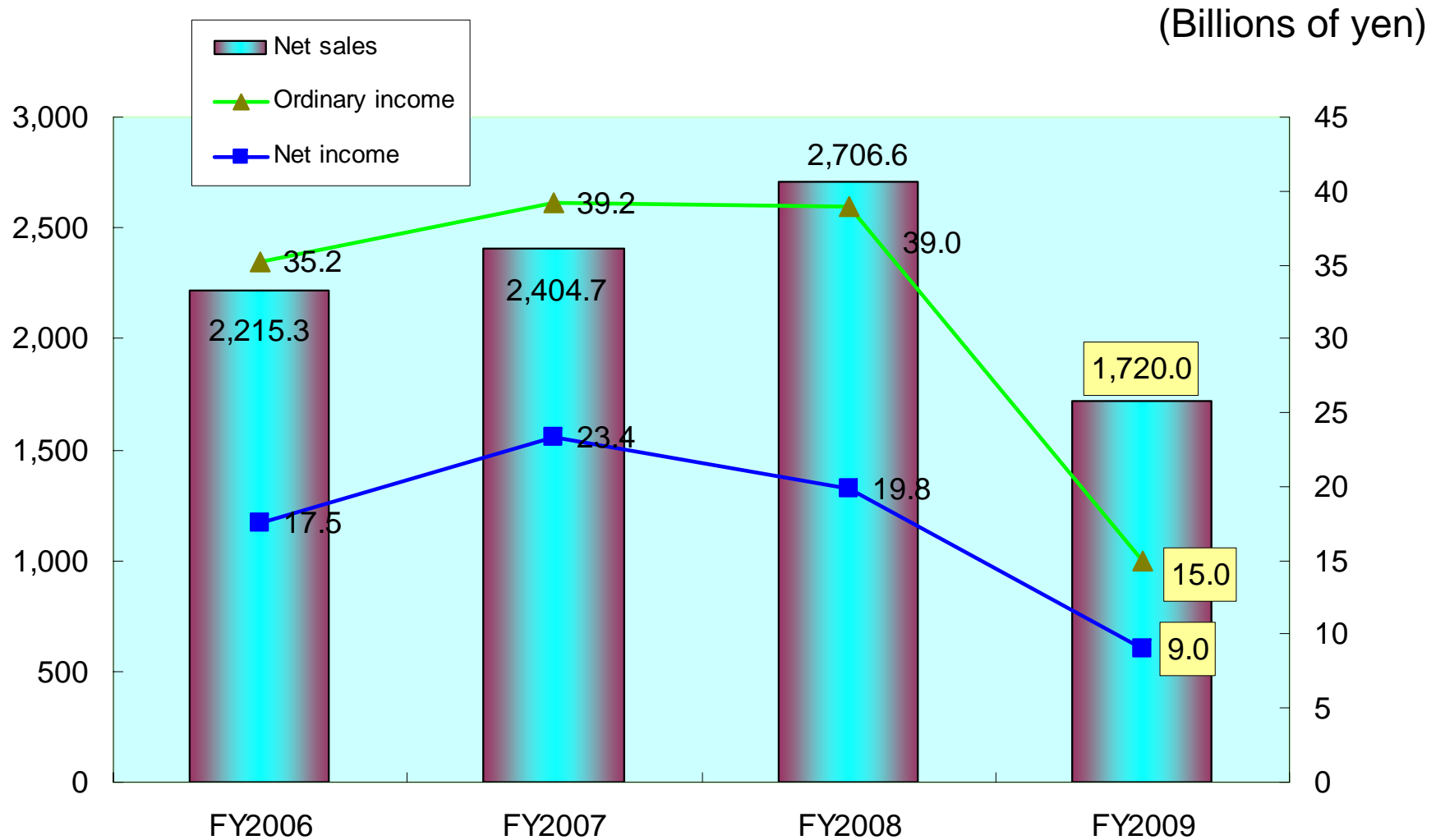


Forecasts as of April 28 remain unchanged

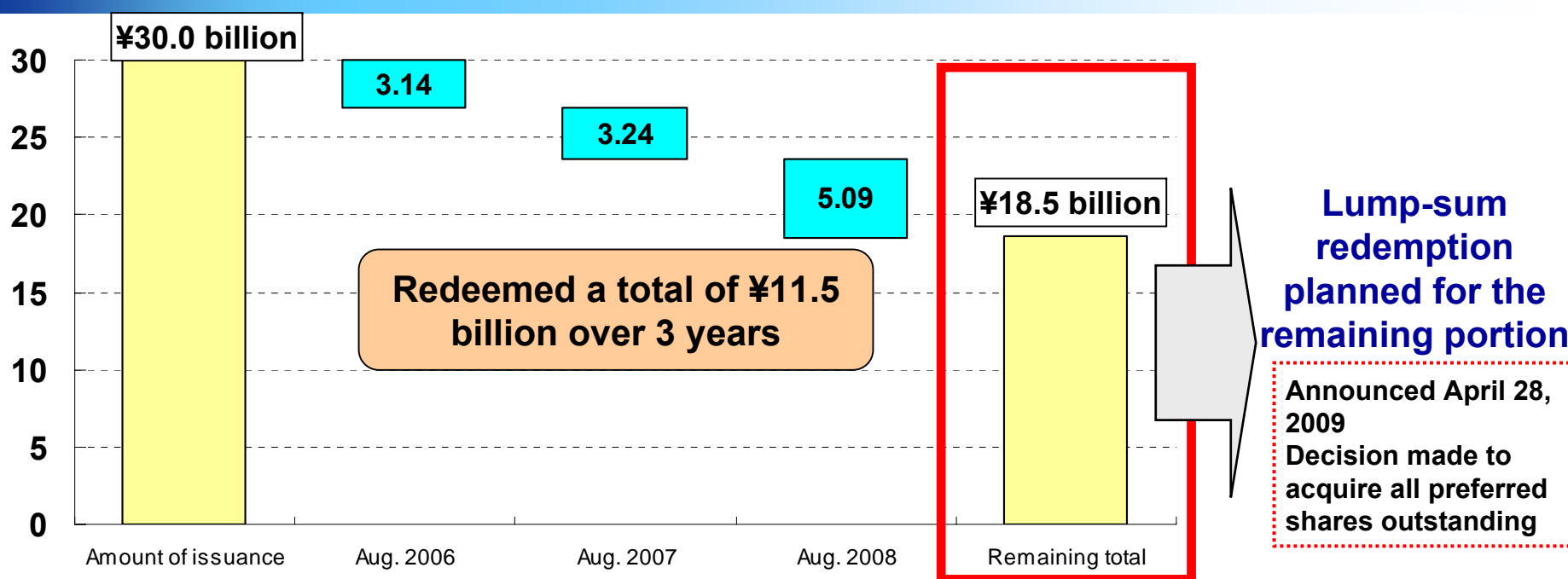
(Billions of yen)

Consolidated business performance	FY2009 forecasts	FY2008 results	YoY change	% change
Net sales	1720.0	2706.6	(986.6)	-36%
Operating income	16.0	40.2	(24.2)	-60%
Ordinary income	15.0	39.0	(24.0)	-62%
Net income	9.0	19.8	(10.8)	-55%
Dividend per share (ordinary share)	¥5	¥10		

7. Net Sales and Ordinary Income (Consolidated)



(Reference) Redemption of Preferred Shares and Dividend Payments



	FY2006	FY2007	FY2008	FY2009 (planned)
Dividend per share (ordinary share)	¥7	¥10	¥10	¥5
Dividend payout ratio (ordinary shares)	9.7%	10.3%	12.1%	13.1%
Dividend payout ratio (ordinary/preferred shares combined)	11.5%	11.9%	13.7%	



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.