

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

October 28, 2009



JFE商事 ホールディングス 株式会社

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1. FY2009 First-Half Accounts Settlement: Key Points

- ◆ Sales decreased by ¥616.7 billion year-on-year, to ¥887.1 billion, as demand for steel materials failed to fully recover, leading to a reduction in the volume of steel materials and raw materials sold, as well as lower selling prices.
- ◆ Ordinary income declined by ¥25.3 billion year-on-year to ¥5.5 billion. This is attributable to across-the-board declines in ordinary income at subsidiaries, including a decline of ¥10.6 billion registered by JFE Shoji Trade on a non-consolidated basis.
- ◆ Net income for the first half posted a year-on-year drop of ¥14.8 billion to ¥3.0 billion. This was due mainly to a decline of ¥25.3 billion in ordinary income, which outweighed declines in income taxes and minority interests.

2. Consolidated Statements of Income



(Billions of yen)

	1st Q (April - June)	2nd Q (July - Sept.)	Reporting 1st half	Previous 1st half	YoY change	
						% change
Net sales	432.0	455.1	887.1	1503.8	① (616.7)	-41%
Gross profit on sales	14.8	16.0	30.8	58.3	② (27.5)	-47%
(Gross profit margin)	(3.4%)	(3.5%)	(3.5%)	(3.9%)	(-0.4%)	
Selling, general and administrative expenses	12.3	12.9	25.2	28.7	③ (3.5)	-12%
Operating income	2.5	3.1	5.6	29.6	(24.0)	-81%
Non-operating income	(0)	(0.1)	(0.1)	1.2	④ (1.3)	
Ordinary income	2.5	3.0	5.5	30.8	(25.3)	-82%
Extraordinary income (losses)	-	-	-	(0.9)	⑤ 0.9	
Income before income taxes	2.5	3.0	5.5	29.9	(24.4)	-82%
Net income	1.4	1.6	3.0	17.8	(14.8)	-83%

①② Net sales/Gross profit on sales

- JFE Shoji (nonconsolidated) (503.1) (11.0)
- Steel (269.1) (6.9)
- Raw materials/machinery and materials (234.0) (4.1)
- 3 new spun-off companies (construction materials and steel pipes) (91.9) (3.7)
- Domestic subsidiaries (60.4) (7.3)
- Overseas subsidiaries (43.7) (4.9)
- JFE Shoji HD, 3 new affiliates (7.8) (0.2)
- Consolidation adjustments 90.2 (0.3)

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 half: None

Previous 1st half:

- Valuation loss on inventories (0.5)
- Loss on impairment of long-lived assets (0.4)

3. Consolidated Balance Sheet (Summary)



(Billions of yen)

	Reporting 1st half-end	Previous term-end	YoY change
Total liabilities and net assets	528.8	635.5	(106.7)
Total net assets	101.8	114.7	(12.9)
Interest-bearing liabilities	138.3	147.8	(9.5)
D/E ratio	1.43	1.36	0.07
Equity ratio	18.2%	17.1%	1.1%

Main factors in change

● Total liabilities and net assets

Cash and deposits -28.8

Trade notes and accounts receivable -54.5: JFE Shoji Trade -22.8, 3 new spun-off companies -25.1, others
Inventories -23.8: JFE Shoji Trade -10.6, domestic subsidiaries -5.2, overseas subsidiaries -7.6, others

● Total net assets

Retained earnings: -16.9 (Net income +3.0, dividends paid -1.4, retirement of preferred shares -18.5)

Valuation and translation adjustments: +4.6 (shares +2.0, foreign exchange +2.3)

Minority interests: -0.6

● Interest-bearing liabilities

JFE Shoji Trade: -9.8 (Decrease in long- and short-term borrowings), commercial paper +3.0

Overseas subsidiaries: -2.4 (Effects of changes in exchange rates +2.1), others

*D/E ratio

= Interest-bearing liabilities / (net assets - minority interests)

*Equity ratio

= (Net assets - minority interests) / total assets

4. Consolidated Statements of Cash Flows (Summary)



(Billions of yen)

	Reporting 1st half
Cash flows from operating activities	1.1
Cash flows from investing activities	(2.0)
Free cash flow	(0.9)
Cash flows from financing activities	(29.3)
Net decrease in cash and cash equivalents	(29.8)
Cash and cash equivalents at beginning of year	61.6
Cash and cash equivalents at end of year	31.8

Breakdown

●Cash flows from operating activities

Income before income taxes and minority interests	+5.5
Depreciation expenses	+2.9
Net increase in trade receivables held by Group companies	-27.3
Decrease in inventories	+24.8
Income tax payment (net of refunding)	-5.1, others

●Cash flows from investing activities

Acquisition of tangible fixed assets	-1.2
Acquisition of intangible assets	-0.7, others

●Cash flows from financing activities

Decrease in borrowing	-14.5 (short-term -14.0, long-term -0.5)
Commercial paper issuance (JFE Shoji Trade)	+ 3.0
Dividend payments (JFE Shoji Holdings)	-1.4
Acquisition of preferred shares	-15.7, others

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



(Billions of yen)

Segment	Net sales			Operating income		
	Reporting 1st half	Previous 1st half	YoY change	Reporting 1st half	Previous 1st half	YoY change
Steel and steel-peripheral	872.2	1481.2	(609.0)	5.5	29.3	(23.8)

JFE Shoji Trade (nonconsolidated) Down ¥10,600 million

- ◆ Domestic steel ... Volume base: down 1,368 tons YoY, unit price down ¥1,700/ton
- ◆ Steel exports ... Volume base: up 378 tons YoY, unit price down \$411/ton, (Exchange rate: ¥105 → ¥97)
- ◆ 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 ¥132 million

- ◆ Domestic subsidiaries... Down ¥8,800 million (3 new spun-off companies down ¥2,800 million, others down ¥6,000 million)
- ◆ Overseas subsidiaries... Down ¥4,400 million (Overseas coil centers down ¥3,000 million, others down ¥1,400 million)

Despite efforts to expand sales volume and improve profitability, the Group unavoidably posted declines in revenues and earnings owing to the failure of demand for steel materials to recover to its former level.

5. Segment Information ② (Non-steel segments)



(Billions of yen)

Segment	Net sales			Operating income			Breakdown
	Reporting 1st half	Previous 1st half	YoY change	Reporting 1st half	Previous 1st half	YoY change	
Food	11.8	16.7	(4.9)	0.2	0.3	(0.1)	The third-category (low-malt) beer Prime Draft continues to sell well, and sales of GEISHA-brand canned foods (sold overseas) also grew. However, a decrease was posted in the volume of frozen seafood, as well as of meat and processed farm products produced in China. As a result, both revenues and earnings decreased.
Semiconductor	2.9	5.7	(2.8)	(0)	0.1	(0.1)	The Group worked to expand its transaction volume in integrated circuits for use in game consoles and surveillance cameras, as well as to develop more value-added products in the area of integrated circuits for telecommunications use. However, revenues and earnings both fell due to a reduction in the trading volume of our mainstay semiconductors for color multifunction machines (printer/copier/scanner/fax), as well as a decline in semiconductor prices.
Real estate	0.2	0.2	(0)	(0.1)	(0.1)	(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

- Following a recovery by the automotive industry, business activity is expected to pick up in other customer manufacturing industries such as electric equipment and industrial machinery, as well as in the construction sector. Demand for steel should thus grow gradually.
- On the other hand, the effects of the economic stimulus packages launched by the governments of Japan and other countries are starting to peter out, and there will be a one-time decline on a quarter-to-quarter comparison basis. In addition, a deterioration is seen in the balance of supply and demand for steel in China due to over-production. Because of this and other adverse factors, the situation will need careful watching for some time to come.

Steps to ensure targets are reached

- Steps to maximize selling volume to existing customers and to expand sales through acquisition of new customers
 - Cutting SG&A expenses and financial costs (reduction of inventories and working capital)
 - Continued steps to improve profitability at Group steel processing companies, particularly through reducing production costs
- Improving yields at processing plants in Japan and overseas

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

Results for FY2009 Q2 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

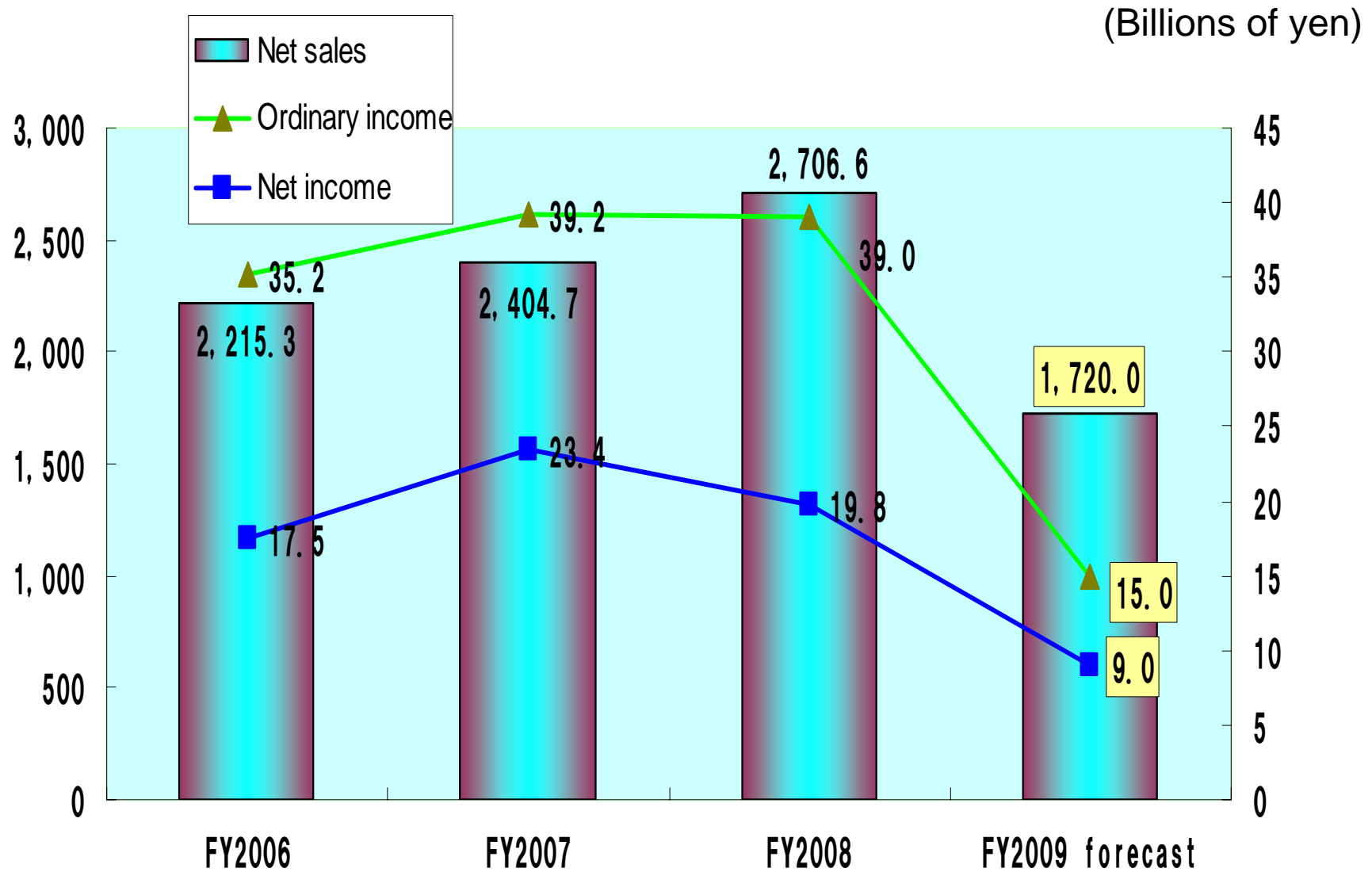
(Billions of yen)

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
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* Term-end only

7. Net Sales and Ordinary Income (Consolidated)



8. 2nd Medium-Term Management Plan (April 2009 – March 2012) ①



Management Vision

To become one of the leading steel trading companies in the world

Same as first medium-term management plan

- Under our first medium-term management plan (April 2005 - March 2008), we worked to achieve a stable earnings base and ensure a sufficiently high level of profitability that will serve as the basis for continuous growth. We worked to quickly grow our retained earnings to secure a certain minimum level, and moved ahead with plans to undertake the redemption of preferred shares at an early date. Thus we made significant progress in achieving our two goals of establishing a stable earnings base and improving our financial position through the further strengthening of our earnings capability.
- With regard to the second medium-term management plan (April 2009 – March 2012), we plan to strengthen our earnings performance in terms of both our profitability and financial position. However, we are also focusing on measures to enhance our corporate culture, to invigorate our operations and achieve world-class capabilities.

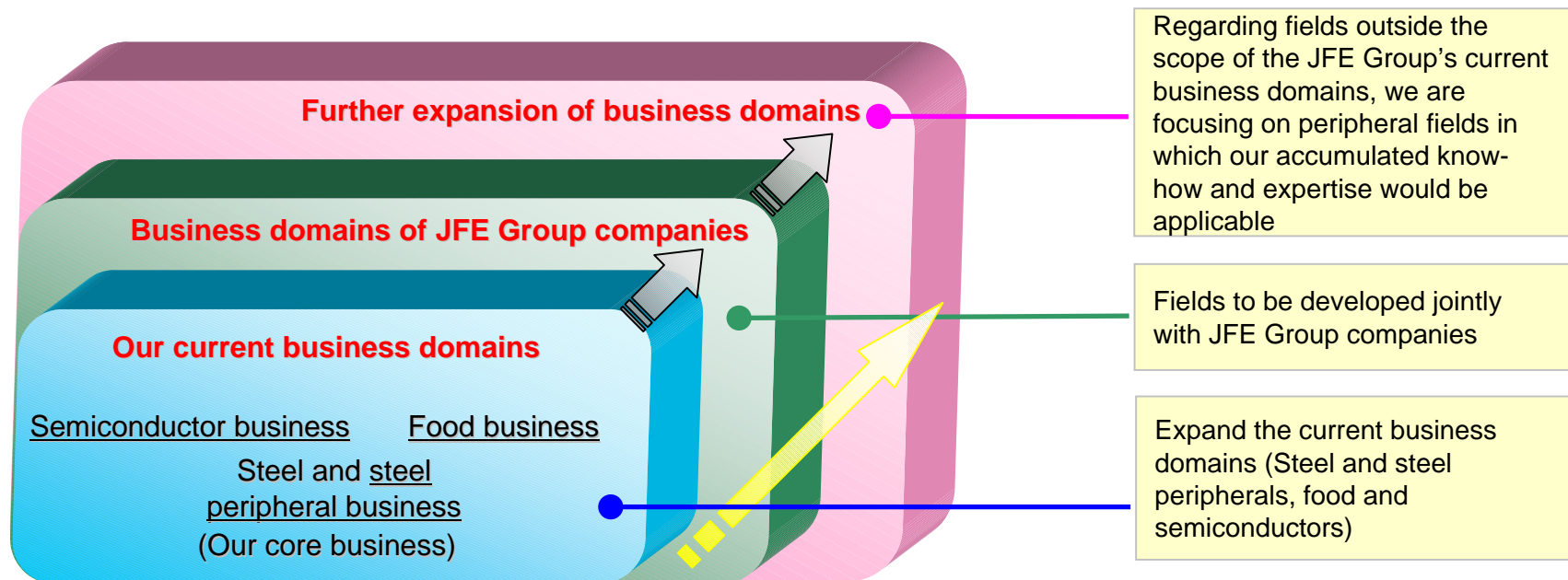
- We are encouraging our employees to think for themselves, communicate their ideas, and implement their work duties with a sense of creativity. To this end, we are taking steps to create systems and establish a corporate culture that will enable our employees to work with vitality and confidence.
- We want all of the Group's employees to be proud of the fact that they work for the JFE Shoji Group, and want them to enjoy their work.
- We will continue working to maintain a sufficiently large and highly qualified workforce, and upgrade the training of our staff, ultimately responsible for the Group's success and continuous growth.
- We aim to contribute to the well-being of all our stakeholders, including our shareholders, employees, business partners and the local communities in which we maintain operations.

8. 2nd Medium-Term Management Plan (April 2009 – March 2012) ②



Business domains under the second medium-term management plan

- The JFE Shoji Group's business domains consist of its core steel and steel peripheral business, the food business, the semiconductor business, as well as businesses that will take advantage of closer collaboration with the JFE Group companies.
- Regarding the expansion of operations beyond the scope of the business domains in which JFE Group companies possess expertise, in principle we will focus on areas that enable the utilization of the JFE Shoji Group's accumulated know-how and expertise.



8. 2nd Medium-Term Management Plan (April 2009 – March 2012) ③



◇With the aim of becoming a corporate group capable of achieving continuous growth, the JFE Shoji Group will implement the following initiatives as its priority management tasks in building on the progress achieved in the strengthening of its management base under the first medium-term management plan.

① Further reinforce the JFE Shoji Group's revenue base

As the core trading company of the JFE Group, pursue the efficient and active use of management resources, with the aim of further reinforcing our revenue base and ultimately achieving continuous growth.

② Upgrade employees' skills through training and other programs, to ensure the future success of the JFE Shoji Group

Upgrade training and introduce other programs that will support the cultivation of employees who can think for themselves, communicate their ideas, and take action, as well as raise awareness about ways to transform the corporate culture and improve current operations. At the same time, we will place emphasis on the creation of comfortable working conditions for the staff, enabling them to achieve a successful work/life balance.

③ Establish a new corporate culture for the Group

Through the J-SLIM campaign (targeting operational reform), encourage the management and employees to work together to raise awareness about operational and organizational reforms and the transformation the corporate culture. Cultivate an environment in which employees can provide high value-added services in a creative and efficient manner.

④ Put in place the management systems needed for ensuring adequate oversight of business operations, and bolster CSR activities

To meet our social responsibilities as a corporate entity, we will continue bolstering our CSR activities. We are committed to carrying out the necessary internal controls and ensuring compliance with all laws and regulations, while making due consideration for environmental protection and contributions to local communities. Moreover, the Group will work to further raise hygiene and safety standards, and quality control management in our business activities with regard to distribution and processing functions. We will undertake the development of the management systems required for the achievement of continuous growth.

8. 2nd Medium-Term Management Plan (April 2009 – March 2012) ④



We have decided against setting specific numerical targets for earnings in the final year of this medium-term management plan (fiscal 2011, ending March 2012), as we expect our future business development will be subject to various factors that could not have been foreseen at the time of writing. Instead, we will set and work to steadily achieve yearly targets.



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.