

**Accounts Settlement for
First-Half Period of Fiscal 2011
(Term ending March 31, 2012)
Results Summary/Business Performance
Forecasts and Reorganization of
the JFE Shoji Group**

October 26, 2011



JFE SHOJI HOLDINGS, INC.

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1. FY2011 First-Half Accounts Settlement: Key Points

- ◆ Sales rose by ¥80.8 billion YoY, to ¥1,077.4 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 decreased ¥1.0 billion, to ¥10.8 billion, due to weak sales in the construction and civil engineering fields resulting from a decline in public-sector investment and weak steel exports caused by the yen's sharp rise
- ◆ Net income for the quarter sank ¥1.5 billion YoY to ¥5.9 billion, primarily due to the ¥1.0 billion decline in ordinary income

2. Consolidated Statements of Income

(Billions of yen)

	1st Q	2nd Q	Reporting	Previous	Cumulative YoY change	
	(April - June)	(July - Sept.)	1st half	1st half		% change
Net sales	520.1	557.3	1,077.4	996.6	① 80.8	8%
Gross profit	16.5	18.5	35.0	36.1	② (1.1)	-3%
Gross profit margin	(3.2%)	(3.3%)	(3.2%)	(3.6%)	(-14%)	
Selling, general and administrative expenses	12.2	12.6	24.8	24.7	③ 0.1	0%
Operating income	4.3	5.9	10.2	11.4	(1.2)	-11%
Non-operating income	0.4	0.2	0.6	0.4	④ 0.2	
Ordinary income	4.7	6.1	10.8	11.8	(1.0)	-8%
Extraordinary income (losses)	-	-	-	(0.1)	⑤ 0.1	
Income before income taxes	4.7	6.1	10.8	11.7	(0.9)	-8%
Net income	2.7	3.2	5.9	7.4	(1.5)	-20%

①② Net sales/Gross profit on sales

JFE Shoji Trade (nonconsolidated)	+ 68.6	-0.1
- Steel	+ 25.4	-0.0
- Raw materials/machinery and materials	+ 43.2	-0.1
3 spun-off construction materials companies	-3.6	-0.3
Domestic subsidiaries	+ 4.5	-0.6
Overseas subsidiaries	+ 22.9	+ 0.5
Consolidated adjustments	-10.0	+ 0.1
JFE Shoji HD.		
3 new affiliates (consolidated)	-1.6	-0.7

③ Selling, general and administrative expenses

Increase in general expenses, etc.

④ Non-operating income and expenses

Dividend income, others

⑤ Extraordinary losses

Previous 1st half: Asset retirement obligations -0.1

3. Consolidated Balance Sheet (Summary)

(Billions of yen)

	Reporting 1st half-end	Previous term-end	YoY change
Total liabilities and net assets	574.6	571.3	① 3.3
Total net assets	117.6	117.4	② 0.2
Interest- bearing liabilities	119.7	107.1	③ 12.6
* D/E ratio	1.06	0.95	0.11
* Equity ratio	19.6%	19.7%	-0.1%

① Total liabilities and net assets

Rose by ¥3.3 billion over the previous fiscal year-end to ¥574.6 billion

Cash and deposits:	-3.3
Trade notes and accounts receivable:	+15.7
Inventories:	+2.7, others

② Total net assets

(Breakdown of ¥0.2 billion increase)

Net income:	+¥5.9 billion
Valuation and translation adjustments:	-¥3.4 billion
Dividends paid:	-¥2.3 billion
Minority interests:	+¥0.0 billion

③ Interest-bearing liabilities

Came to ¥119.7 billion, up ¥12.6 billion due to an increase in working capital, etc. caused by a surge 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 half-end (April - Sept.)
Cash flows from operating activities	(10.6)
Cash flows from investing activities	(2.6)
Free cash flow	(13.2)
Cash flows from financing activities	10.0
Effect of exchange rate change on cash and cash equivalents	(0.1)
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	+ 10.8
Depreciation and amortization	+ 2.7
Net increase in trade receivables held by Group companies	-17.0
Increase in inventories	-2.9
Income taxes paid (net of refunding)	-5.7, others

● Cash flows from investing activities

Purchase of tangible fixed assets	-2.3
Purchase of intangible assets	-0.4, others

● Cash flows from financing activities

Increase in borrowing	+ 12.6
Cash dividends paid	-2.5, others

5. Segment Information (1) Steel & Steel Peripherals

(Billions of yen)

	Net sales			Ordinary income		
	Reporting 1st half (April-Sept)	Previous 1st half	YoY change	Reporting 1st half (April-Sept)	Previous 1st half	YoY change
Steel and steel peripheral	1,058.4	975.9	82.5	10.8	10.9	(0.1)

Main factors behind ¥0.1 billion decline in ordinary income ~ Steel & Steel Peripherals ~

- ◆ JFE Shoji Trade +0.6
 - Domestic steel: Volume base: down 97,000 tons YoY; Unit price: up ¥7,700/ton
 - Steel export: Volume base: up 16,000 tons YoY; Unit price: up \$139/ton
- Ave. US\$ rate: ¥89.97 ⇨ ¥80.63
- ◆ Group companies -0.6
 - Domestic subsidiaries: -0.4
 - Overseas subsidiaries: +0.4
 - Equity method companies: -0.6
- ◆ Consolidated adjustments -0.1

Ordinary income decreased ¥0.1 billion due to weak sales in the construction and civil engineering fields resulting from a decline in public-sector investment and low profitability at equity method affiliates.

5. Segment Information (2) Other Segments



(Billions of yen)

Segment	Net sales			Ordinary income			Main Factors
	Reporting 1st half	Previous 1st half	YoY change	Reporting 1st half	Previous 1st half	YoY change	
Food	12.8	12.9	(0.1)	0.4	0.5	(0.1)	Despite the earthquake disaster, sales of South Korean third-category beer, corned beef, and canned fruits were strong, but revenues and earnings declined due to sharply rising purchasing costs and raw material shortages overseas.
Electronics (*)	6.1	7.5	(1.4)	0.2	0.5	(0.3)	Semiconductor shipments were weak owing to the earthquake disaster. Revenues and earnings in surface mounting business were down as customers froze or postponed capital investment projects due to the earthquake disaster.
Real estate	0.1	0.3	(0.2)	(0.6)	(0.1)	(0.5)	Upon merging with JFE Shoji Trade, earnings decreased ¥0.5 billion YoY after revaluation of real estate for sale

*As a result of the business integration of Kawasho Semiconductor Corporation and Kawasho Electronics Corporation, reportable operating segments were reviewed and in the previous quarter the Semiconductors Business was 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

- A harsh export environment is expected to continue as steel prices soften due to further expansion of production capacity in China and South Korea, and the competitiveness of Japan's steel products declines owing to the yen's sharp rise.
- Continued domestic expansion of production is expected, especially in manufacturing industries, which continue to export, such as the automotive industry. Meanwhile, as the construction and civil engineering sectors are likely to require a certain amount of time before implementing specific recovery measures, any pickup in demand in fiscal 2011 will be limited.
- The accelerating shift to overseas production by manufacturing industries caused by the yen's appreciation and trends in raw material prices shall be carefully taken care.

Other factors in addition to the above include:

- 1) Weak performance of coal investment companies due to flooding
- 2) Uncertainty over the effects of flooding in Thailand on manufacturing industries

Revision of full-year business performance
forecast announced on April 27, 2011
(Details on next page)

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



Full-year business performance forecast announced on April 27 was revised as follows:

(Billions of yen)

Full-year consolidated	Initial forecast	% change	Revised forecast
Net sales	2,330.0	-6.4%	2,180.0
Operating income	27.5	-20%	22.0
Ordinary income	27.0	-15%	23.0
Net income	16.5	-9%	15.0

Dividend per share	¥10	¥10
	Pay 5-yen per share interim dividend Year-end dividend of 5-yen per share planned	Pay 5-yen per share interim dividend 5-yen per share year-end dividend planned

Despite harsh environment, the following steps are being taken to ensure profitability.

- **Augment domestic demand with continued meticulous service**
- **Aspect of overseas business, focusing on expanding business, especially with newly emerging countries**
- **Continue making good investments in the raw materials field**

***Pay 5-yen per share interim dividend.**

No change in plan to pay annual dividend of 10-yen per share.

7. Reorganization of the JFE Group

~JFE Shoji Trade to become Wholly Owned Subsidiary through Share Exchange with JFE Holdings~



Goal of Reorganization

- ① Utilize the marketing-related functions of JFE Shoji Trade throughout the entire JFE Group
- ② Strengthen and streamline the entire supply chain of the JFE Group's steel business

Outline of Reorganization

- ① March 28, 2012: JFE Shoji Holdings, Inc. will delist from stock exchange
- ② April 1, 2012: JFE Shoji Holdings and JFE Shoji Trade (surviving entity) will merge and JFE Shoji Trade technically lists
- ③ August 2012: Decision on share exchange ratio between JFE Shoji Trade and JFE Holdings (Decided after discussing with relevant parties and taking into the account outside expert opinion of financial advisers and others)
- ④ December 2012: JFE Shoji Trade Corporation's Extraordinary General Meeting of Shareholders (Share Exchange Agreement approved by special resolution)
- ⑤ March 27, 2013: JFE Shoji Trade Corporation delists from stock exchange
- ⑥ April 1, 2013: Effective date of JFE Holdings' share exchange
⇒ JFE Holdings allocates shares to JFE Shoji Trade's shareholders according to the exchange terms adopted at the Extraordinary General Meeting of Shareholders

*The share exchange schedule could change due to factors such as permissions, registrations and notifications from or with authorities, and/or other conditions

7. Reorganization of the JFE Shoji Group ②

~JFE Shoji Trade to become Wholly Owned Subsidiary through Share Exchange with JFE Holdings~



Overview of Reorganization (Share Exchange)

1) Business name	JFE Holdings, Inc. ~Wholly Owing Parent Company in Share Exchange ~ (As of March 31, 2011)	JFE SHOJI TRADE CORPORATION ~Wholly Owned Subsidiary Company in Share Exchange~ (Planned or expected on April 1, 2012)
2) Head office	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo	1-6-20, Dojima, Kita-ku, Osaka
3) Name and title of representative director	President and CEO: Hajime Bada	President: Mikio Fukushima
4) Main business	Engaged in the control and management of business companies in which it holds stock including those companies involved in the businesses of steel, civil engineering and ships.	Engaged primarily in domestic trading and import and export in such fields as steel products and raw materials for steel making, nonferrous metals, chemical products, machinery and marine vessels.
5) Paid-in capital	¥147,143 million	¥ 14,539 million
6) Established	September 27, 2002	January 5, 1954
7) Total issued shares	614,438,999	236,777,704 *
8) Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. 5.76% Japan Trustee Services Bank, Ltd. 4.22% Nippon Life Insurance Company 3.68% Mizuho Corporate Bank, Ltd. 2.47% The Dai-ichi Life Insurance Company 2.34% (As of September 30, 2011)	JFE Steel Corporation 38.56% Kawasaki Heavy Industries, Ltd. 2.72% Trust & Custody Services Bank, Ltd. as a trustee for Mizuho Trust Retirement Benefits Trust Account for Kawasaki Heavy Industries 2.32% (Status of JFE Shoji Holdings as of September 30, 2011)

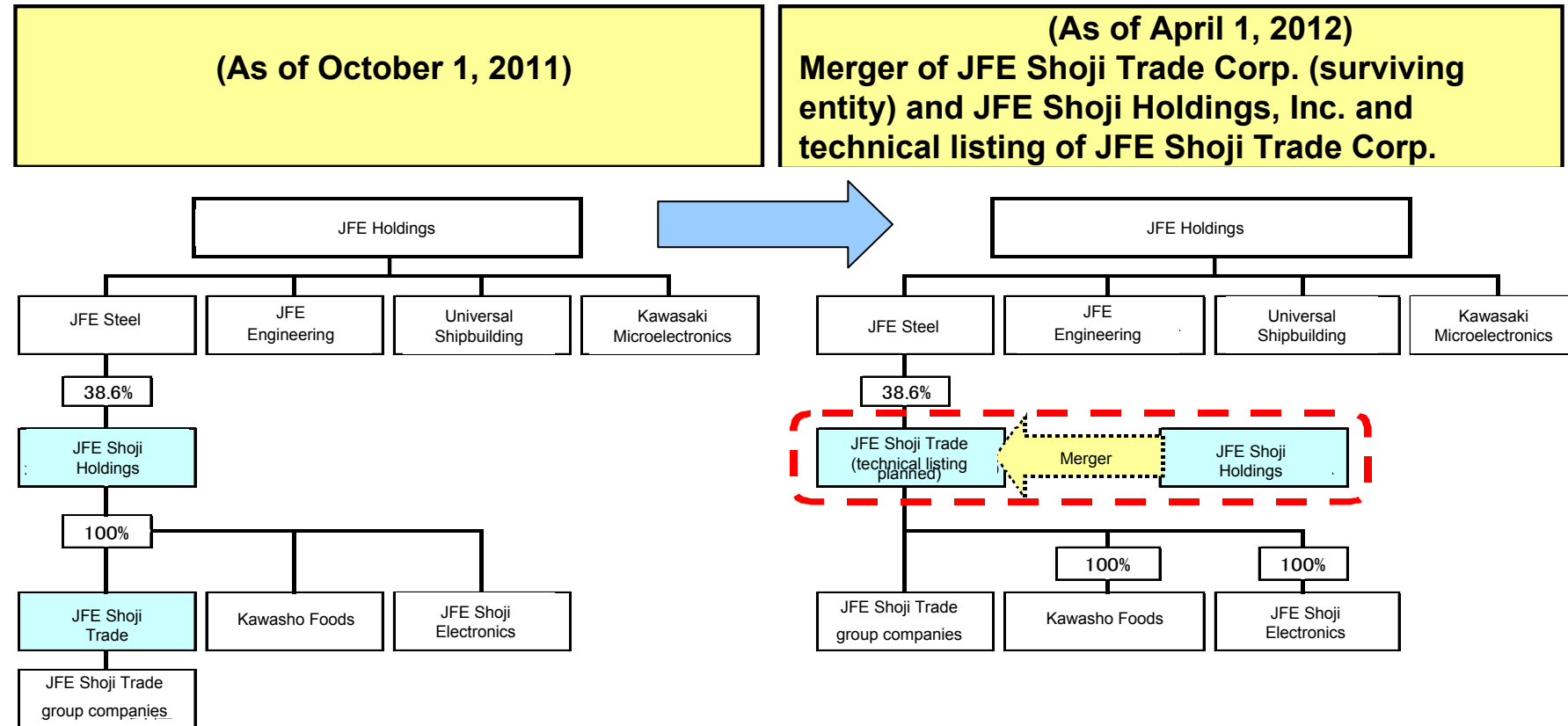
* The total number of shares after the reverse stock split conducted by JFE Shoji Trade Corporation on April 1, 2011

7. Reorganization of the JFE Shoji Group ③

~JFE Shoji Trade to become Wholly Owned Subsidiary through Share Exchange with JFE Holdings~



Reorganization Diagram 1



April 2012 technical listing of JFE Shoji Trade Corp. is proceeding as planned

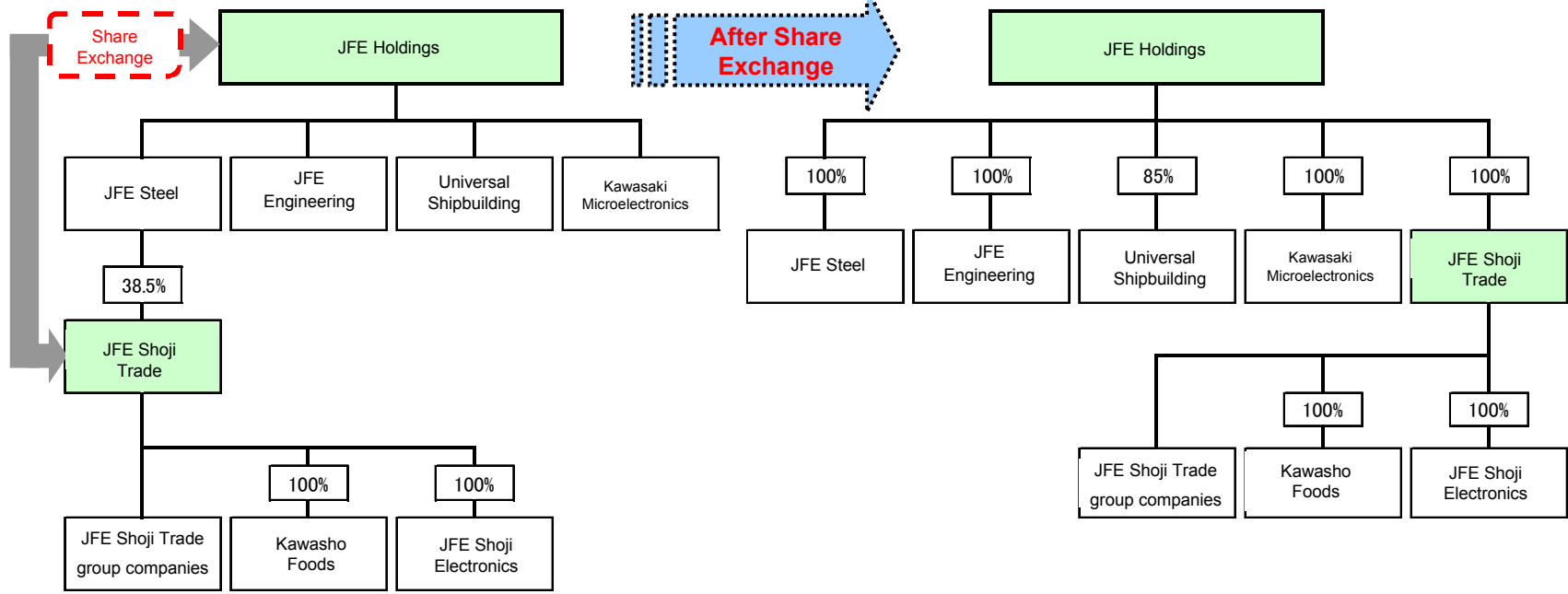
7. Reorganization of the JFE Shoji Group ④



~JFE Shoji Trade to become Wholly Owned Subsidiary through Share Exchange with JFE Holdings~

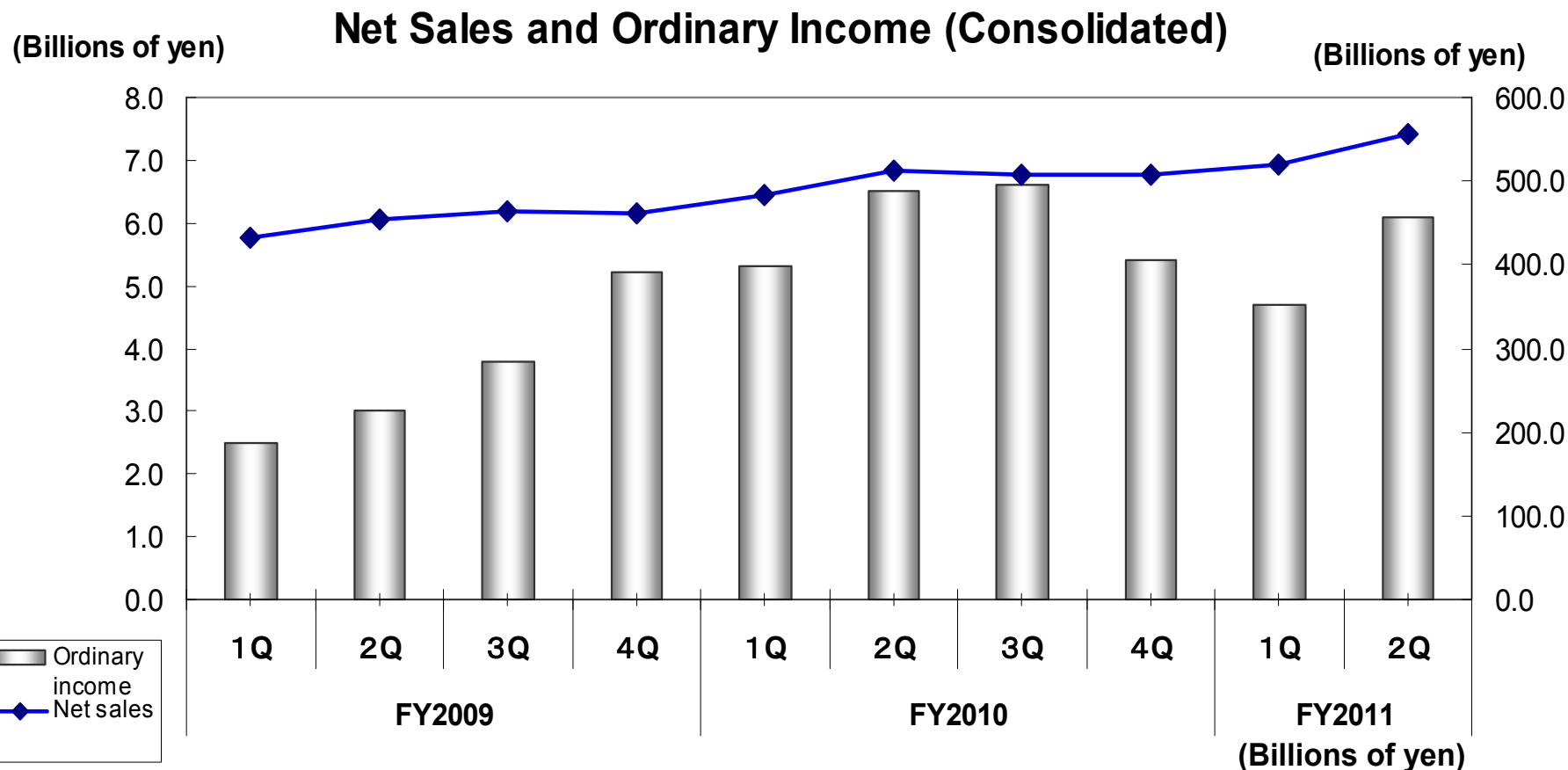
Reorganization Diagram 2

(As of April 1, 2013)
JFE Shoji Trade becomes wholly owned subsidiary through share exchange with JFE Holdings, Inc.



Further strengthen JFE Shoji Trade's function as the core trading company of the JFE Group, and contribute to raising the corporate value of the entire Group

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



	FY2009				FY2010				FY2011	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	432.0	455.1	462.9	461.9	484.0	512.6	506.5	508.4	520.1	557.3
Ordinary income	2.5	3.0	3.8	5.2	5.3	6.5	6.6	5.4	4.7	6.1



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.