

Accounts Settlement for First Quarter of Fiscal 2008 (term ended March 2009) and Business Performance Forecasts for Fiscal 2008

July 31, 2008
JFE Shoji Holdings, Inc.

FY2008 First Quarter Accounts Settlement: Key points

- In the steel industry, Japanese steelmakers' business performance were driven by strong export demand from other Asian countries, which were enjoying economic growth. Demand remained firm throughout the reporting period, led by users in the shipbuilding, automotive and industrial machinery sectors. Direct exports of steel also recorded a high level thanks to strong demand from the fast-growing East Asian economies, particularly China.
- In addition to these high levels of demand, the Group was able to raise its selling prices both for the raw materials used in steelmaking and for its own sales of steel products (paralleling the higher costs incurred). As a result, sales for the first quarter posted a year-on-year increase of ¥88.4 billion to ¥679.3 billion.
- Ordinary income rose by ¥4.5 billion over the first quarter of the previous year, to ¥13.8 billion, mainly as a result of a ¥1.8 billion growth in ordinary income on a non-consolidated basis posted by JFE Shoji Trade, as well as an increased contribution (by ¥2.5 billion) from domestic steel trading subsidiaries.
- Net income for the quarter rose by ¥2.1 billion year-on-year to ¥7.5 billion.
- Total assets grew by ¥51.4 billion over the previous term-end, to ¥707.8 billion, mainly as a result of an increase in the value of trade receivables in line with higher unit selling prices.
- Interest-bearing liabilities were up by ¥18.5 billion over the previous term-end, at ¥114.9 billion, owing to increased borrowing to finance income tax payments and increased trade receivables accompanying higher unit selling prices.
- Despite declines in retained earnings resulting from ¥2.8 billion in dividend payments and ¥3.4 billion in exchange translation adjustments, net assets rose by ¥3.7 billion from the previous term-end, to ¥120.9 billion (¥114.8 billion after deduction of minority interests). This was due to the posting of ¥7.5 billion in net income for the quarter and ¥2.4 billion in unrealized gains on available-for-sale securities thanks to a recovery in the weighted average price of stock holdings.

(Billions of yen)				
Consolidated statements of income	Reporting 1st Q	Previous 1st Q	YoY change	% change
Net sales	679.3	590.9	① 88.4	+15%
Gross profit on sales	26.9	21.5	② 5.4	+25%
(Gross profit margin)	(4.0%)	(3.6%)	(+0.4%)	
Selling, general and administrative expenses	13.9	13.0	③ 0.9	+7%
Operating income	13.0	8.5	④ 4.5	+53%
Interest income	0.2	0.3	(0.1)	
Interest expense	0.8	0.7	0.1	
(Interest income)	(0.6)	(0.4)	(0.2)	
Dividend income	0.5	0.5	0	
(Financial balance)	(0.1)	0.1	(0.2)	
Equity in earnings of unconsolidated subsidiaries and affiliates	0.5	0.7	(0.2)	
Other non-operating income	0.4	0	0.4	
Non-operating income	0.8	0.8	0	
Ordinary income	13.8	9.3	⑤ 4.5	+48%
Extraordinary income	-	-	-	
Extraordinary losses	0.5	0.2	⑥ 0.3	
Income taxes	5.3	3.5	1.8	
Minority interests	0.5	0.2	0.3	
Net income	7.5	5.4	2.1	+39%

① Net sales

JFE Shoji (nonconsolidated)	
(Domestic steel)	12.1
(Overseas steel)	0.3
(Raw materials/machinery and materials)	49.7
3 construction materials affiliates	17.0
Overseas steel processing	2.5
Other subsidiaries	17.1
Others	(10.3)
Total	88.4

② Gross profit on sales
Gross profit on sales increased: increase of ¥1.0 billion for JFE Shoji Trade (non-consolidated); ¥1.2 billion for three construction materials affiliates in the domestic market; ¥1.0 billion for overseas steel processing centers; ¥2.2 billion for others

③ Selling, general and administrative expenses
Increases in depreciation expenses and other expenses

④ Operating income
Increases of ¥5.4 billion in gross profit on sales after deduction of an increase of ¥900 million in SG&A expenses led to operating income of ¥13.0 billion, up ¥4.5 billion (53%) year-on-year.

⑤ Ordinary income
Increase of ¥4.5 billion (48%) year-on-year, to ¥13.8 billion

⑥ Extraordinary losses
Loss on inventory (0.5)
Previous term Retirement benefits for directors (0.2)

(Billions of yen)				
Balance sheets	Reporting 1st Q-end	Previous term-end	YoY change	
Total liabilities and net assets	707.8	656.4	51.4	Ⓐ
Total net assets	120.9	117.2	3.7	Ⓑ
Interest-bearing liabilities	114.9	96.4	18.5	Ⓒ
D/E ratio	1.00	0.87	0.13	Ⓓ
Equity ratio	16.2%	17.0%	(0.8%)	Ⓔ

- Ⓐ Trade notes and accounts receivable: +30.6 (JFE Shoji Trade: +17.6, three construction materials affiliates in the domestic market: +11.8), cash and deposits: +10.3 (JFE Shoji Trade: +6.8, others), investment securities: +3.8
- Ⓑ Retained earnings: +4.7 (earnings: +7.5, dividends: -2.8), valuation and translation adjustments: +2.4, translation adjustments: -3.4
- Ⓒ JFE Shoji Trade: +21.0 (CP), translation adjustments: -3.5
- Ⓓ Interest-bearing liabilities/(net assets - minority interests)
- Ⓔ (Net assets - minority interests)/total assets

(Billions of yen)				
Statements of cash flows	Reporting 1st Q			
Cash flows from operating activities	(4.1)			
Cash flows from investing activities	(3.5)			
Free cash flow	(7.6)			
Cash flows from financing activities	18.4			
Cash and cash equivalents at end of year	10.3			

- Income before income taxes and minority interests: +13.3, depreciation expenses: +1.4, trade notes and accounts receivable: -5.1, increase in inventories: -4.6, payments of income taxes: -9.1
- Purchases of property and equipment: -0.3 (JFE Shoji Trade: -1.7, others: -1.3), acquisition of subsidiaries: -0.7, others
- CP: +21.0, dividends: -2.8, others

Segment information

Segment	Net sales			Operating income			Major breakdown
	Reporting 1st Q	Previous 1st Q	YoY change	Reporting 1st Q	Previous 1st Q	YoY change	
Steel and steel-peripheral	669.9	576.3	93.6	12.8	8.3	4.5	Increases in import volume of, and higher unit selling prices for, raw materials for steelmaking at JFE Shoji Trade (non-consolidated basis). JFE Shoji Trade (non-consolidated basis) and related companies succeeded in raising selling prices for steel raw materials.
Food	6.5	11.4	(4.9)	0.1	0.1	0	Sales posted decreases due to lower volumes of seafood and Chinese canned goods handled. Operating income grew thanks to increased handling volume of Prime Draft beer and Geisha-brand canned food.
Semiconductor	2.7	3.1	(0.4)	0.1	0.1	(0)	Decreases recorded in volume of mainline ASICs handled (synchronization of strategies with Kawasaki Microelectronics), as well as imports of semiconductor products, leading to increases in sales and operating income.
Real estate	0.1	0.1	(0)	(0)	(0)	0	Steps taken to facilitate speedy disposal of real estate holdings.
Total	679.3	590.9	88.4	13.0	8.5	4.5	

Breakdown of statements of income

(Billions of yen)					
Net sales	Reporting 1st Q	Previous 1st Q	YoY change	% change	
JFE Shoji Trade (nonconsolidated)	526.1	464.0	62.1	+13%	
(Steel)	294.1	281.7	12.4	+4%	
(Raw materials, machinery & materials, and others)	232.0	182.3	49.7	+27%	
(3 construction material affiliates)	104.8	87.8	17.0	+19%	
(Overseas steel processing centers)	23.8	21.3	2.5	+12%	
(Other subsidiaries)	98.3	81.2	17.1	+21%	
Consolidated subsidiaries	226.9	190.3	36.6	+19%	
Consolidation adjustments	(81.9)	(76.5)	(5.4)		
JFE Shoji Trade (consolidated)	671.1	577.8	93.3	+16%	
others	8.2	13.1	(4.9)	-37%	
JFE Shoji Holdings (consolidated)	679.3	590.9	88.4	+15%	

(Billions of yen)					
Ordinary income	Reporting 1st Q	Previous 1st Q	YoY change	% change	
JFE Shoji Trade (nonconsolidated)	8.6	6.8	1.8	+26%	
(3 construction material affiliates)	2.0	1.0	1.0	+100%	
(Overseas steel processing centers)	1.0	0.4	0.6	+150%	
(Other subsidiaries)	3.6	1.6	2.0	+125%	
Consolidated subsidiaries	6.6	3.0	3.6	+120%	
Equity-method affiliates	0.5	0.7	(0.2)	-29%	
Consolidation adjustments	(2.1)	(1.3)	(0.8)		
JFE Shoji Trade (consolidated)	13.6	9.2	4.4	+48%	
others	0.2	0.1	0.1	+100%	
JFE Shoji Holdings (consolidated)	13.8	9.3	4.5	+48%	

(Billions of yen)					
Net income	Reporting 1st Q	Previous 1st Q	YoY change	% change	
JFE Shoji Trade (nonconsolidated)	6.0	4.5	1.5	+33%	
(3 construction material affiliates)	1.2	0.6	0.6	+100%	
(Overseas steel processing centers)	0.8	0.2	0.6	+300%	
(Other subsidiaries)	2.0	0.9	1.1	+122%	
Consolidated subsidiaries	4.0	1.7	2.3	+135%	
Equity-method affiliates	0.5	0.7	(0.2)	-29%	
Consolidation adjustments	(2.6)	(1.6)	(1.0)		
JFE Shoji Trade (consolidated)	7.9	5.3	2.6	+49%	
others	(0.4)	0.1	(0.5)	-	
JFE Shoji Holdings (consolidated)	7.5	5.4	2.1	+39%	

Forecasts for business performance and dividend for FY2008

Consolidated business performance	Revised forecast (July 31)		Initial forecast (released on April 28)		FY2007 results
	First half	Full term	First half	Full term	
	Net sales (YoY change)	1410.0	2,860.0 (+18.9%)	1,290.0	
Operating income (YoY change)	25.5	50.0 (+33.5%)	19.0	43.5	37.4
Ordinary income (YoY change)	26.0	50.0 (+27.4%)	19.0	43.0	39.2
Net income (YoY change)	14.5	28.5 (+21.7%)	10.5	24.5	23.4

Dividend per share (ordinary share)	¥5	¥5	¥5	¥5	¥10
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Overview

Thanks to favorable business results on a consolidated basis for the first quarter of fiscal 2008 in the steel-peripheral business, in addition to the anticipated continuing rise in prices of steel and the raw materials for steel, the Company's business performance for the first half of fiscal 2008 (the six-month period from April 1 to Sept. 30, 2008) is now forecast as follows: sales of ¥1,410 billion (up ¥120 billion from the forecast announced on April 28); operating income of ¥25.5 billion (up ¥6.5 billion over the previous forecast); ordinary income at ¥26 billion (up ¥7 billion); and net income at ¥14.5 billion (up ¥4 billion).

For the fiscal 2008 full term, ending March 31, 2009, we forecast sales of ¥2,860 billion (up ¥120 billion year-on-year), operating income of ¥50 billion (up ¥6.5 billion), ordinary income of ¥50 billion (up ¥7 billion), and net income of ¥28.5 billion (up ¥4 billion).