

Flash Report for the First-Half Period Ended September 30, 2011

(Consolidated basis)

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

October 26, 2011

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

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

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

Representative: Mikio Fukushima, President

Contact: Kunihiko Utata, General Manager of General Affairs Department Phone: +81-3-5203-5055

Scheduled date for submission of quarterly report: November 9, 2011

Date for initiation of dividend payments: December 12, 2011

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-Half Period (April 1 to September 30, 2011)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income	
1st half ended September 30, 2011	¥1,077,352	8.1%	¥10,169	(10.5)%	¥10,803	(8.6)%
1st half ended September 30, 2010	996,553	12.3	11,368	102.3	11,818	115.4

	Net income		Earnings per share (¥)	Diluted EPS (¥)
1st half ended September 30, 2011	¥5,942	(20.2)%	¥25.17	¥—
1st half ended September 30, 2010	7,443	146.8	31.52	—

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

2. Comprehensive income

As of September 30, 2011: ¥2,580 million (down 42.3%) As of September 30, 2010: ¥4,468 million (—%)

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio
As of September 30, 2011	¥574,551	¥117,584	19.6%
As of March 31, 2011	571,364	117,426	19.7

Note: Owners' equity

As of September 30, 2011: ¥112,429 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	—	5.00			
Year ending March 31, 2012 (forecast)			—	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)

	(¥ million)								
	Net sales		Operating income		Ordinary income		Net income		Earnings per share (¥)
Full term	¥2,180,000	8.4%	¥22,000	(5.8)%	¥23,000	(3.3)%	¥15,000	9.9%	¥63.53

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

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

4. Others

(1) Significant changes in the scope of consolidation

Inclusion: none

Exculsion: 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 September 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 September 30, 2011: 669,535 shares As of March 31, 2011: 659,985 shares

Average number of shares during the period

1st half ended September 30, 2011: 236,113,463 shares

1st half ended September 30, 2010: 236,139,577 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 statements 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

In the world economy, fears grew that the Eurozone would suffer further turbulence from the debt problems of Greece and Portugal. And in the United States, where efforts to trim bloated spending levels from before the collapse of Lehman Brothers continue, a vicious circle arose in which the impact of falling share prices due to fiscal austerity and financial instability in Europe depressed employment and undermined consumer spending. The European and US economies continue to face highly uncertain prospects. By contrast, the emerging countries led by China continue to post high growth rates against a background of buoyant demand despite some worries about inflation, and maintain overall moderate growth momentum.

Turning to Japan, supply chains are recovering faster than expected, after sustaining serious damage in the Great East Japan Earthquake, and exports have rebounded strongly, with replenishment of inventories run down by supply constraints. In addition, consumer sentiment undermined by the disaster has picked up again, helping fuel recovery in the overall Japanese economy.

In the steel industry, our core business area, although demand increased in Japan on a rapid recovery in production in the automaking and other manufacturing industries, the civil engineering and construction sectors are not expected to start to benefit from disaster recovery demand until the second half of the fiscal year, due partly to the delay in passage of the supplementary budget. Despite continued healthy demand in the newly emerging economies of Asia, exports have remained at a low ebb due to soft market conditions amid expanded production by mills in China, South Korea and elsewhere, and the heavy impact of the rapidly rising Japanese yen.

Performance by segment is outlined below.

Steel and Steel-Peripheral Businesses

In the steel business, we actively worked to expand sales in 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 decided to ramp up facilities at P.T. JFE Shoji Steel Indonesia through introduction of a large slitter line, to capture in increasing demand from the automaking and other industries in Indonesia, which continues to enjoy remarkable economic growth. In Japan, we are taking measures to restructure and optimize our marketing networks to better capture demand. As a first step, building materials businesses in Kyushu were consolidated and folded into JFE Shoji Trade Corporation, and relaunched backed by Group resources with a stronger customer perspective. In the northeast of Japan, we merged consolidated subsidiaries Tohsen Ltd. and Tohoku Steel Corporation in October. This decision was made to restructure marketing and logistics systems to capture post-earthquake recovery demand.

In the field of raw materials, we acquired new interests in the Codrilla mine in the Australian state of Queensland, enabling us to secure stable supplies of high-quality PCI coal, which is in high demand from steelmakers. By supporting the development of a high-grade thermal coal mine in Barisan, in Bengkulu, Indonesia, we acquired Japan marketing rights to promote sales to electric power, paper and other general industrial companies. In our coke operations, we strengthened procurement from Russia, Vietnam and Taiwan to reduce the cost of supplies, and took measures to cultivate new customers. Meanwhile, sales of scrap and ferroalloys used in electric furnaces in the northeast of Japan fell back after the earthquake disaster. However, we took measures to reboot sales to electric furnace steelmakers in other areas, and broaden marketing channels.

As a result of the above measures, sales in Steel and Steel-Peripheral Businesses increased by ¥82,436 million year-on-year to ¥1,058,352 million. However, due partly to sluggishness in exports of steel products, ordinary income declined by ¥78 million to ¥10,840 million.

Food Business

In the Food Business, sales of South Korean-made (low malt) “third-category beer,” corned beef and canned fruit were strong, due partly to an increase in demand after the earthquake. However, due to factors such as high procurement costs and raw material shortages, sales in the segment fell ¥56 million year-on-year to ¥12,821 million, and ordinary income fell ¥73 million to ¥408 million.

Electronics Business

In the Electronics Business, the semiconductor division reported weaker shipments due to the impact of the earthquake. Following the merger by absorption of Kawasho Electronics Corporation in January 2011, the mounting equipment division leveraged synergies of scale to focus on marketing, but sales declined ¥1,446 million year-on-year to ¥6,076 million as customers froze or postponed capital investment projects following the earthquake. Ordinary income likewise declined ¥236 million to ¥223 million.

Real Estate Business

In the Real Estate Business, we worked to rapidly sell real estate holdings, but sales declined ¥117 million year-on-year to ¥130 million, and the operating loss worsened by ¥571 million to ¥703 million following revaluation of real estate held for sale.

As a result of all the above, sales on a consolidated basis increased by ¥80,799 million year-on-year to ¥1,077,352 million. However operating income declined ¥1,199 million to ¥10,169 million, and ordinary income dropped ¥1,015 million to ¥10,803 million. Net income for the quarter was down ¥1,501 million to ¥5,942 million.

(2) Qualitative Data Relating to the Consolidated Financial Position

[1] Assets, Liabilities & Net Assets

Total assets as of the end of the second quarter of the consolidated fiscal year under review stood at ¥574,551 million, an increase of ¥3,187 million compared with the end of the previous fiscal year, due mainly to an increase in operating receivables from increased transactions with customers mainly in the automaking industry.

Net assets edged up by ¥158 million to ¥117,584 million from the previous fiscal year-end. The key factors were quarterly net income of ¥5,942 million, and, on the negative side, a decline in unrealized gains on available-for-sale securities resulting from a drop in share prices affecting our stockholdings.

[2] Cash Flows

Net cash used in operating activities was ¥10,646 million, due mainly to an increase in funds advanced to automotive and other customers in Japan as they recover from the earthquake disaster, which had caused transaction volumes to drop.

Net cash used in investing activities totaled ¥2,584 million, reflecting expansion of processing capacity and continuous capital investment aimed at improving product quality and safety.

Net cash provided by financing activities totaled ¥10,024 million, partly reflecting an increase in working capital from fund procurement through the issue of commercial paper.

(3) Qualitative Data Relating to Consolidated Earnings Forecasts

We forecast continued moderate expansion in the global economy, despite signs of a slowing of the previously fast growth rates in emerging economies, particularly in Asia, due to concerns of monetary tightening due to inflation fears. However, in Europe, the failure of governments to fully allay fears of default by Greece and the resulting financial instability are likely to rock the economies of both Europe and the United States. We expect further stagnation in these economies. Looking ahead, the global economic situation, beset by worries, will require close monitoring, as any slowing down in the Western economies will hurt exports of the fast-growing emerging economies.

In Japan, we expect further progress in the earthquake recovery drive and, at Japanese companies, a return to the levels of business activity seen before the disaster. However, the outlook remains uncertain, as the yen reaches historic highs, dragging down export performance, and fears of stagnation loom in the overall global economy due to turmoil in Europe and America.

With regard to steelmaking, one of our most important customer markets, production by automakers and other manufacturing industries continued to rise in Japan on strong exports, but we believe we need to closely watch the accelerating shift to overseas bases by manufacturing companies escaping the strong yen, and raw material price trends. Furthermore, in the civil engineering and construction sectors, we anticipate a significant time lag before implementation of planned recovery policies in areas hit by the earthquake, and see only limited recovery in demand during the current fiscal year. We expect conditions facing exporters to remain very difficult, with steel material prices weakening further as mills in China and South Korea further expand production capacity and the persistently high yen erodes the competitiveness of Japanese products. The Company will continue to capture demand in Japan through its meticulous approach to services, and, overseas, will focus on expanding transactions with customers in newly emerging countries. In the field of raw materials, we will continue to invest aggressively in promising projects.

JFE Shoji Group's second medium-term management plan covers the three years between April 2009 and March 2012, with the current fiscal year as the final year. The Group is fully committed to initiatives for achievement of medium-term goals.

We are now preparing the third medium-term management plan, from fiscal 2012. In this plan too we are developing a medium-to-long-term vision for the Group. All companies of the Group are involved in discussions on creating growth strategies for realization of this vision.

Approval was given at a meeting of the Board of Directors of the Company and JFE Shoji Trade held on October 26, 2011, JFE Holdings, Inc. for JFE Shoji Trade to become a wholly owned subsidiary of JFE Holdings (retaining its name JFE Shoji Trade) through a share exchange on April 1, 2013. Four companies — JFE Steel Corporation, JFE Shoji Holdings Inc. JFE Shoji Trade — and the Company signed a basic agreement to this effect. This change is conditional on JFE Shoji Trade absorbing the Company by merger (on April 1, 2012). Based on this agreement, JFE Shoji Trade plans to apply to list on the Tokyo Stock Exchange on April 1, 2012 (in the “technical” category for when a listed company merges with an unlisted company), and on March 27, 2013 will delist. With regard to the execution date for the exchange of shares, changes may be made as necessary in light of the permit, registration and reporting requirements of the relevant authorities in Japan and overseas. Should any change be made, this will be promptly announced.

Turning out to full-year consolidated earnings projections, we have revised our net sales, operating income, ordinary income and net income forecasts downwards, to ¥2,180 billion, ¥22 billion, ¥23 billion and ¥15 billion respectively, in light of slow growth in export volumes for steel products and poor earnings at coal-mining investment subsidiaries due to the impact of flooding in Australia.

Note: The above forecasts are based on information that is currently available to the Company, and could change in future as a result of various factors.

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	
	September 30, 2011	March 31, 2011
Assets		
Current assets:		
Cash and deposits	¥ 28,216	¥ 31,551
Trade notes and accounts receivable	337,856	322,108
Merchandise and finished products	59,755	59,522
Work in process	564	552
Raw materials and supplies	19,886	17,428
Other current assets	26,695	33,421
Allowance for doubtful receivables	(1,621)	(1,847)
Total current assets	471,353	462,737
Non-current assets:		
Tangible fixed assets	38,134	38,061
Intangible assets	4,702	5,503
Investments and other assets:		
Other	62,563	67,279
Allowance for doubtful receivables	(2,202)	(2,217)
Total investments and other assets	60,360	65,062
Total non-current assets	103,197	108,627
Total assets	¥574,551	¥571,364

Note: Amounts under one million yen are omitted.

Millions of yen

	September 30, 2011	March 31, 2011
Liabilities		
Current liabilities:		
Trade notes and accounts payable	¥303,208	¥304,539
Short-term borrowings	81,686	78,105
Accrued income taxes	3,837	6,020
Other reserve	490	1,067
Other current liabilities	45,265	39,942
Total current liabilities	434,488	429,676
Non-current liabilities:		
Long-term debt	14,000	14,000
Other reserve	5,544	5,452
Other	2,933	4,809
Total non-current liabilities	22,478	24,262
Total liabilities	456,967	453,938
Net assets		
Shareholders' equity:		
Share capital	20,000	20,000
Capital surplus	17,428	17,428
Retained earnings	87,324	83,742
Treasury stock	(360)	(356)
Total shareholders' equity	124,392	120,814
Accumulated other comprehensive income (loss):		
Net unrealized holding gain on securities	447	3,829
Net deferred gain (loss) on hedges	(36)	0
Land revaluation reserve	(322)	(322)
Translation adjustments	(12,051)	(12,031)
Total accumulated other comprehensive loss	(11,962)	(8,523)
Minority interests	5,155	5,136
Total net assets	117,584	117,426
Total liabilities and net assets	¥574,551	¥571,364

Consolidated Statements of Income

	Millions of yen	
	1st half ended September 30, 2011	1st half ended September 30, 2010
Net sales	¥1,077,352	¥996,553
Cost of sales	1,042,383	960,409
Gross profit	34,969	36,144
Selling, general and administrative expenses	24,800	24,775
Operating income	10,169	11,368
Non-operating income:		
Interest income	219	192
Dividend received	534	368
Equity in earnings of unconsolidated subsidiaries and affiliates	—	822
Other	1,388	1,353
Total non-operating income	2,142	2,736
Non-operating expenses:		
Interest expense	870	886
Equity in loss of unconsolidated subsidiaries and affiliates	241	—
Other	396	1,399
Total non-operating expenses	1,508	2,286
Ordinary income	10,803	11,818
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	10,803	11,764
Income taxes:		
Current	4,321	3,984
Deferred	405	155
Total income taxes	4,726	4,139
Income before minority interests	6,076	7,624
Minority interests	134	181
Net income	¥ 5,942	¥ 7,443

Note: Amounts under one million yen are omitted.

Consolidated Statements of Comprehensive Income

	Millions of yen	
	1st half ended September 30, 2011	1st half ended September 30, 2010
Income before minority interests	¥6,076	¥7,624
Other comprehensive income		
Net unrealized holding loss on securities	(3,368)	(1,791)
Net deferred loss on hedges	(36)	(56)
Translation adjustments	(95)	(1,245)
Share of other comprehensive income of associates accounted for using equity method	4	(62)
Total other comprehensive loss	(3,496)	(3,155)
Comprehensive income	2,580	4,468
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	2,503	4,325
Comprehensive income attributable to minority interests	77	143

Note: Amounts under one million yen are omitted.

Consolidated Statements of Cash Flows

	Millions of yen	
	1st half ended September 30, 2011	1st half ended September 30, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	¥10,803	¥11,764
Depreciation and amortization	2,662	2,845
Decrease in other reserve	(729)	(12)
Interest and dividend income	(754)	(560)
Interest expense	870	886
Equity in loss (earnings) of unconsolidated subsidiaries and affiliates	241	(822)
Decrease (increase) in trade notes and accounts receivable	(15,548)	(30,117)
Decrease (increase) in inventories	(2,930)	(5,001)
Increase (decrease) in trade notes and accounts payable	(1,428)	26,925
Other, net	1,810	(775)
Subtotal	(5,002)	5,130
Interest and dividend received	923	658
Interest paid	(860)	(913)
Income taxes paid	(6,434)	(2,318)
Income taxes refunded	728	1,797
Net cash provided by (used in) operating activities	(10,646)	4,355
Cash flows from investing activities		
Increase in time deposits	(9)	(14)
Proceeds from withdrawal of time deposits	—	201
Purchases of tangible fixed assets	(2,321)	(1,088)
Proceeds from sale of tangible fixed assets	118	68
Purchases of intangible assets	(383)	(429)
Increase in loans receivable	(153)	(59)
Collection of loans receivable	98	170
Other, net	67	27
Net cash used in investing activities	(2,584)	(1,123)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,659	2,582
Increase in commercial paper	9,006	—
Repayment of finance lease obligations	(166)	(284)
Proceeds from long-term debt	—	2,000
Repayment of long-term debt	(20)	(2,384)
Proceeds from minority shareholders	31	91
Cash dividends paid	(2,359)	(1,179)
Cash dividends paid to minority shareholders	(121)	(169)
Other	(3)	(3)
Net cash provided by financing activities	10,024	651
Effect of exchange rate changes on cash and cash equivalents	(140)	(555)
Net increase (decrease) in cash and cash equivalents	(3,346)	3,327
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	¥28,154	¥27,367

Note: Amounts under one million yen are omitted.

Notes on Premise of Going Concern

Not applicable

Segment Information

Previous First Half Period (From April 1, 2010 to September 30, 2010)

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

	Millions of yen						
	1st half ended September 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	¥ 975,916	¥12,877	¥ 7,512	¥ 247	¥ 996,553	¥ —	¥ 996,553
Intersegment	—	0	9	—	10	(10)	—
Total	975,916	12,877	7,522	247	996,564	(10)	996,553
Segment profits (losses)	¥ 10,918	¥ 481	¥ 459	¥(132)	¥ 11,727	¥ 91	¥ 11,818

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		¥11,727
Elimination of intersegment transactions		395
Total unallocatable company profits (losses) (Note)		(304)
Ordinary income on the quarterly consolidated statements of income		¥11,818

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. Information about Impairment Losses on Non-Current Assets and Negative Goodwill for Each Reporting Segment

Not applicable

Reporting First Half Period (From April 1, 2011 to September 30, 2011)

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

Millions of yen							
1st half ended September 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	¥1,058,348	¥12,811	¥ 6,062	¥ 130	¥ 1,077,352	¥ —	¥1,077,352
Intersegment	3	10	14	—	28	(28)	—
Total	1,058,352	12,821	6,076	130	1,077,381	(28)	1,077,352
Segment profits (losses)	¥ 10,840	¥ 408	¥ 223	¥(703)	¥ 10,768	¥ 34	¥ 10,803

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 half ended September 30, 2011	
Profits	Total Amount
Total of reporting segments	¥10,768
Elimination of intersegment transactions	334
Total unallocatable company profits (losses) (Note)	(299)
Ordinary income on the quarterly consolidated statements of income	¥10,803

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, the Semiconductor Business was reclassified as the Electronics Business.

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

4. Information about Impairment Losses on Non-Current Assets and Negative Goodwill for Each Reporting Segment

Not applicable

Special Notes Where There Has Been a Substantial Change in Shareholders' Equity

Not applicable

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).

Significant Subsequent Events

1. Transactions under common control, etc.

Under their merger agreement signed on April 27, 2011, the Company's wholly owned subsidiaries JFE Shoji Trade and Kawasho Real Estate Corporation merged, with the former absorbing the latter on October 1, 2011.

(1) Summary of the merger

a) Name and nature of business concerned

Business: Real estate

Nature of business: Real estate ownership, management, trading, leasing/rental and brokerage services

b) Date of business combination

October 1, 2011

c) Legal format of business combination

Absorption-type merger, with JFE Shoji Trade Corporation as the surviving entity. Kawasho Real Estate Corporation was dissolved through liquidation.

d) Name of the company after the combination

JFE Shoji Trade Corporation

e) Other matters relating to this merger

The Group is now in the final year of its second medium-term management plan launched in April 2009. Recently, the Group has strengthened its earnings base, primarily in the steel business, improved its financial standing, strengthened human resource training, streamlined business operations and fortified its business structure.

In April 2012, the Group will launch its third medium-term management plan. Under this plan, the Group will clearly lay out growth strategies and commit to "becoming one of the leading steel trading companies." We will also overhaul our current organizational structure and build a simpler, more flexible Group management structure, with JFE Shoji Trade at its core.

(2) Summary of accounting treatment

This merger is treated as a transaction under common control as defined in the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued December 26, 2008).

2. Concerning the basic agreement on exchange of shares between the Company and JFE Shoji Trade, and JFE Holdings and JFE Steel

On October 26, 2011, the Company, JFE Shoji Trade, JFE Holdings and JFE Steel reached a basic agreement under which JFE Shoji Trade will become a wholly owned subsidiary of JFE Holdings (retaining its name JFE Shoji Trade) through a share exchange on April 1, 2013. A basic agreement has been signed by the four companies to this effect.

(1) Purpose of Share Exchange

The JFE Group operates under JFE Holdings, which formulates business strategy for the whole group. The group comprises four operating companies guided by their own individual managements in fields including steel, engineering, shipbuilding and LSIs, operating in accordance with the needs of these respective businesses.

The environment surrounding the group is becoming increasingly severe, however, due to weak and shrinking domestic demand, the yen's sharp appreciation and soaring prices of raw materials. In response, JFE Holdings, its operating company JFE Steel, and both JFE Shoji Holdings and JFE Shoji Trade agreed to revise the capital structure of JFE Shoji Trade to leverage its trading functions throughout the group.

The new JFE Shoji Trade will be technically listed on April 1, 2012 and then delisted on March 27, 2013, three business days before the share exchange becomes effective, and then finally turned into a wholly owned subsidiary of JFE Holdings in the next month, following the share exchange. The transformation, effectively a reorganization in the short term, has been discussed and agreed upon by the respective companies' top managers as a collective effort required to enable the group to deal with severe changes envisioned in the business environment.

By turning the new JFE Shoji Trade into JFE Holdings direct subsidiary, JFE Steel, JFE Engineering Corporation, Universal Shipbuilding Corporation and Kawasaki Microelectronics, Inc. expect to leverage the company's special capabilities in areas such as market research, marketing and project management for activities including project facilitation, new customer development, procurements and others worldwide. The arrangement is expected to enable the group to make faster decisions and leverage its full strength through closer consultation and broader cooperation between the operating companies and the new JFE Shoji Trade.

The JFE Group is looking to improve its competitiveness both in the Japanese and international steel business by restructuring and streamlining its overall supply chain for steel production and sales, from raw materials procurement, production and processing to distribution and global expansion.

As the group's core trading company, the new JFE Shoji Trade will work to aggressively expand the group's overall business in steel and other segments while also maintaining and expanding existing businesses.

(2) Outline of Share Exchange

[1] Share Exchange Schedule

October 26, 2011	Meetings of boards of directors for approval of MOU
October 26, 2011	Execution of MOU
August 2012 (planned)	Meetings of boards of directors for approval of Share Exchange Agreement
August 2012 (planned)	Execution of Share Exchange Agreement
December 2012 (planned)	General meeting of shareholders for approval of Share Exchange Agreement (JFE Shoji Trade)
March 27, 2013 (planned)	Date of delisting (JFE Shoji Trade)
April 1, 2013 (planned)	Effective date of the Share Exchange

Note: The share exchange schedule may change due to factors such as permissions, registrations and notifications from or with authorities in Japan and foreign countries and other conditions.

(Reference) Schedule of Merger between JFE Shoji Holdings and JFE Shoji Trade

April 27, 2011	Execution of Merger Agreement
June 29, 2011	General meeting of shareholders for approval of Merger Agreement (JFE Shoji Holdings)
March 28, 2012 (planned)	Delisting (JFE Shoji Holdings)
April 1, 2012 (planned)	Effective date of merger
April 1, 2012 (planned)	Technical listing (JFE Shoji Trade)

[2] Method of Share Exchange

Through the share exchange, JFE Holdings will become the sole parent company of JFE Shoji Trade, which will become a wholly owned subsidiary. Shareholders of JFE Shoji Trade will be allotted treasury shares held by JFE Holdings in consideration of the share exchange.

The share exchange must be approved at a general meeting of shareholders of JFE Shoji Trade. JFE Holdings would then execute a simplified share exchange, which does not require its shareholders' approval, pursuant to Article 796, Paragraph 3 of the Companies Act.

[3] Ratio of Allotment in Connection with Share Exchange

The ratio of allotment in connection with the share exchange will be determined upon consultation among the relevant parties, with consideration of the analysis, advice, etc. of external experts.

[4] Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights

None

(3) Prospects of Delisting JFE Shoji Trade

[1] Prospects of Delisting

JFE Shoji Trade is scheduled to list its common shares on the Tokyo Stock Exchange on April 1, 2012. After being turned into a wholly owned subsidiary, however, JFE Shoji Trade is expected to delist its common shares, following the prescribed procedures, in accordance with the securities-listing regulations of the Tokyo Stock Exchange.

[2] Reason for Plan to Delist and Process of Considering Alternatives

The purpose of the share exchange is as stated in “(1) Purpose of Share Exchange.” It is not for the purpose of delisting JFE Shoji Trade.

Following the delisting of JFE Shoji Trade, shareholders who are allotted at least 100 JFE Holdings common shares, the basic trading unit for JFE Holdings shares, will be able to trade their shares on the Tokyo, Osaka and Nagoya stock exchanges, thereby assuring them liquidity.

Shareholders who are allotted less than 100 shares, however, will not be able to trade their shares on these stock markets. The method for handling such shares will be announced when the share exchange agreement is executed.

(4) Outlines of the Share Exchange Companies

	Sole parent company As of March 31, 2011	Wholly owned subsidiary As of April 1, 2012 (planned or prospective if not otherwise specified)
[1] Name	JFE Holdings Inc.	JFE Shoji Trade Corporation
[2] Location	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo, Japan	1-6-20 Dojima, Kita-ku, Osaka, Japan
[3] Name and title of representative	Hajime Bada, President and CEO	Mikio Fukushima, President
[4] Business	Governance and management of steel, engineering, shipbuilding, etc. operating companies by holding the shares of these companies	Primarily domestic trading and import/export of steel products, steelmaking materials, nonferrous metals, chemical products, machinery and marine vessels
[5] Capital	¥147,143 million	¥14,539 million
[6] Founded	September 27, 2002	January 5, 1954
[7] Issued shares	614,438,399	236,777,704
[8] Fiscal year end	March 31	March 31
[9] Employees	54,962 (consolidated) (as of September 30, 2011)	6,104 (consolidated) (as of September 30, 2011)
[10] Major business relationships	Not applicable to pure holding company	Suppliers: JFE Steel Corporation, JFE Bars & Shapes Corporation, Kawasaki Heavy Industries, Ltd. Customers: JFE Steel Corporation, Hyundai Group, Kawasaki Kisen Kaisha, Ltd.
[11] Major banking relationships	Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ, Ltd.
[12] Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. (trust account) 5.76%, Japan Trustee Services Bank, Ltd. (trust account) 4.22%, Nippon Life Insurance Company 3.68%, Mizuho Corporate Bank, Ltd. 2.47%, The Dai-ichi Life Insurance Company, Limited. 2.08% (as of September 30, 2011)	JFE Steel Corporation 38.56%, Kawasaki Heavy Industries, Ltd. 2.72%, Mizuho Trust & Custody Bank, Ltd. As a trustee for Mizuho Trust retirement Benefits Trust Account for Kawasaki Heavy Industries 2.32%, Japan Trustee Services Bank, Ltd. (trust account) 2.28% (as of September 30, 2011, JFE Shoji Holdings)
[13] Relationship between relevant companies	Capital relationship (as of September 30, 2011)	JFE Steel, 100% owned subsidiary of JFE Holdings, holds 38.56% share of JFE Shoji Holdings, the sole parent of JFE Shoji Trade. JFE Shoji Trade holds 0.12% of JFE Holdings' shares.
	Personnel relationship (as of March 31, 2011)	None
	Business relationship (as of March 31, 2011)	None
	Status of related parties (as of March 31, 2011)	JFE Shoji Trade is a related party because it is a wholly owned subsidiary of JFE Shoji Holdings, an equity-method affiliate of JFE Steel, which is a wholly owned subsidiary of JFE Holdings.

[14] Business performance and financial position in most recent three-year period						
Accounting period	JFE Holdings (consolidated)			JFE Shoji Holdings (consolidated)		
	Mar. 2009	Mar. 2010	Mar. 2011	Mar. 2009	Mar. 2010	Mar. 2011
Net assets	1,378,041	1,465,898	1,478,310	114,684	107,060	117,426
Total assets	4,328,901	3,918,317	3,976,644	635,481	526,788	571,364
Net assets per share (yen)	2,526.26	2,689.88	2,708.51	381.02	432.64	457.57
Net sales	3,908,282	2,844,356	3,195,560	2,706,576	1,811,887	2,011,526
Operating income	407,806	88,775	182,810	40,238	15,140	23,363
Ordinary income	400,562	69,289	165,805	39,009	14,491	23,783
Net income	194,229	45,659	58,608	19,848	7,506	13,645
Net income per share (yen)	355.64	86.35	110.73	82.54	31.78	57.79
Dividend per share (yen)	90.00	20.00	35.00	10.00	5.00	10.00

(millions of yen, if not otherwise specified)

Note: Consolidated figures of JFE Shoji Holdings are provided because JFE Shoji Trade, the surviving company after the planned merger with JFE Shoji Holdings, presently does not release financial statements.

(5) Status after Share Exchange

JFE Holdings and JFE Shoji Trade have no plan to change their names, locations, names or titles of representatives, business descriptions, etc.

(6) Future Prospects

The share-exchange MOU will not impact JFE Holdings' earnings forecast for the current fiscal year. The impact on earnings after the current fiscal year will be released as soon as practical after it is determined.