

# Summary of Financial Performance for the First Quarter of Fiscal 2010

(Consolidated basis)

July 27, 2010

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

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

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

Representative: Mikio Fukushima, President and CEO

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Scheduled date for submission of Quarterly Report: August 6, 2010

Date for initiation of dividend payments (subject to change): not applicable

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 Quarter (April 1 to June 30, 2010)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income	
1st quarter ended June 30, 2010	¥483,986	12.0%	¥5,076	104.8%	¥5,323	116.2%
1st quarter ended June 30, 2009	431,994	(36.4)%	2,479	(80.9)%	2,462	(82.2)%

  

	Net income		Earnings per share (¥)		Diluted EPS (¥)	
1st quarter ended June 30, 2010	¥3,123	128.5%	¥13.22		¥—	
1st quarter ended June 30, 2009	1,367	(81.8)%	5.78		—	

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

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of June 30, 2010	¥535,886	¥107,516	19.1%	¥434.31
As of March 31, 2010	526,788	107,060	19.4	432.64

Note: Owners' equity

As of June 30, 2010: ¥102,560 million      As of March 31, 2010: ¥102,166 million

## 2. Dividends

	Cash dividends per share (¥)				
	Quarter-end			Year-end	Annual
	1st	2nd	3rd		
<b>Common stock:</b>					
Year ended March 31, 2010	¥—	¥0.00	¥—	¥ 5.00	¥ 5.00
Year ending March 31, 2011	—				
Year ending March 31, 2011 (forecast)		0.00	—	10.00	10.00

Note: Revisions to dividend payment forecasts during the reporting quarter: not applicable

## 3. Business Performance Forecasts for the Year Ending March 31, 2011

(April 1, 2010 to March 31, 2011)

	(¥ million)									
	Net sales		Operating income		Ordinary income		Net income		Earnings per share (¥)	
First-half period	¥1,020,000	15.0%	¥10,000	78.0%	¥ 9,500	73.1%	¥ 6,000	98.9%	¥25.40	
Full term	2,180,000	20.3	25,500	68.4	25,000	72.5	15,500	106.5	65.63	

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

2. Revisions to performance forecasts during the reporting quarter: not applicable

#### 4. Others

(1) Changes in the scope of consolidation

Inclusion: none

Exclusion: none

(2) Significant methods applied for accounting: applicable

(3) Changes in significant accounting policies

Changes in accounting standard: applicable

Other: not applicable

(4) Number of ordinary shares issued at the end of the period

As of June 30, 2010: 236,777,704 shares

As of March 31, 2010: 236,777,704 shares

Number of shares in treasury at the end of the period

As of June 30, 2010: 635,974 shares

As of March 31, 2010: 633,507 shares

Average number of shares during the period

1st quarter ended June 30, 2010: 236,142,444 shares

1st quarter ended June 30, 2010: 236,193,144 shares

# 1. Qualitative Information on Consolidated Business Results for the Current Quarter

## 1) Qualitative Information on Consolidated Operating Results

The world economy began to rebound from the middle of last year and while the speed of the recovery remained slow for developed nations, the increase in personal consumption on the back of economic stimulus measures and the favorable trend in exports primarily in the Asian region accelerated the pace of the rebound for emerging Asian nations such as China and India.

The Japanese economy saw an increase in personal consumptions due to the increase in exports and the benefits of measures to stimulate consumption as the world economy recovered, but the trend of decline in public works spending persisted and the employment situation remained dire, so the gradual pace of the recovery continued.

Exports were strong for the steel industry, our main area of trade, supported by economic growth in the emerging nations. On the domestic front, demand for steel from the construction machinery and industrial machinery sectors also bottomed out and demand from the automotive sector was boosted by external demand. Purely domestic demand, largely from the civil engineering sector, remained at low levels in contrast to this, causing the improvement in demand to remain a gradual one.

Business results by segment are as follows:

In the steel segment, we focused on marketing activities to the energy sector, including wind power generation and other environmental sectors as well as petrochemical plant and oil exploration equipment, in addition to vigorous efforts to expand sales to emerging nations in Asia and to the Middle Eastern region. We also decided to enter a joint venture with the Summit Group and establish the Steel Alliance Service Center Co., Ltd. in Thailand, the fourteenth overseas steel materials processing center for the JFE Shoji Group, in order to meet the future expected expansion of demand for steel sheet from the automotive industry.

In the raw materials segment, we actively engaged in tri-country trade of iron ore from Mexico and Canada and Australian coal to China and South Korea and steadily responded to the expansion of demand for chrome alloy, and iron ore, coal, and other raw materials for steel that accompanied the rebound in total domestic crude steel production. We also worked to expand exports and tri-country trade in steel scrap by establishing domestic cargo consolidation stations and developing new suppliers, among other efforts.

The above initiatives resulted in sales of ¥475,859 million for the Steel and Steel Peripherals Business, and ordinary income of ¥4,916 million.

In the Food Business, sales of the “third-category beer (low-malt)” PRIME DRAFT remained robust and canned tuna sales to the Middle Eastern region were good, resulting in sales of ¥5,367 million and ordinary income of ¥264 million.

In the Semiconductor Business, imaging circuit boards for gaming devices sold well and ICs for office equipment rebounded substantially compared with the previous year. Continued stable sales of ICs for liquid crystal panels also contributed to sales of ¥2,616 million and ordinary income of ¥163 million.

Sales of ¥142 million were recorded and an ordinary loss of ¥64 million was incurred in the Real Estate Business despite efforts to sell real estate holdings quickly.

This resulted in a ¥51,992 million increase in sales to ¥483,986 million, a ¥2,597 million increase in operating income to ¥5,076 million, a ¥2,861 million rise in ordinary income to ¥5,323 million, and a ¥1,756 million increase in quarterly net income to ¥3,123 million at the consolidated level.

## **2) Qualitative Information on the Consolidated Financial Position**

### **(1) Assets, Liabilities, and Net Assets**

Total assets as of the end of the first quarter of the current consolidated fiscal year were ¥535,886 million, due to an increase in operating receivables accompanying increased sales volumes of steel and steel raw materials. This marks an increase of ¥9,098 million compared with the end of the previous consolidated fiscal year.

Net assets increased by ¥456 million over the previous consolidated fiscal year-end to ¥107,516 million. This resulted from quarterly net income of ¥3,123 million, and improvement in foreign currency translation adjustments, despite the decline in the unrealized gains on available-for-sale securities resulting from the decline in stock prices.

### **(2) Cash Flows**

Net cash provided by operating activities was ¥3,273 million, due to firm business profits resulting from the rebound in demand for steel materials, which compensated for the increased need for working capital that accompanied the increase in sales volumes for steel and steel raw materials.

Net cash used in investing activities was ¥887 million due to ongoing capital investment to expand fabrication capacity and enhance product quality and safety.

Net cash provided by financing activities was ¥2,079 million, as a result of funds procured to provide more working capital, which compensated for the outlay for dividends.

## **3) Qualitative Information on the Forecasts for Consolidated Business Results**

While the world economy has been pulled along by the growth of emerging nations in Asia and elsewhere and the potential for an economic rebound is rising in developed nations as well, concerns over credit in Europe triggered by the fiscal issues in southern Europe and the impact of restraints on real estate prices, a hike in the reserve rate, and other fiscal tightening measures in China remain sources of concern.

The trend of growth in exports continues and the trend in corporate capital investment is toward recovery in the Japanese economy; however, the dependence of the economic rebound on growth in overseas economies is expected to persist due to factors such as sluggish personal consumption resulting from the benefits from eco points, eco car tax reduction, and other economic stimuli having run their course.

The trend of rebound in the steel industry, a key trading segment for the Company, can be expected to continue as exports continue to be strong, primarily for the Asian region, and the trend of rebound continues for domestic export-oriented sectors such as the automotive, construction machinery, and industrial machinery sectors. Sluggishness in purely domestic demand, primarily from the civil engineering sector, is projected to continue in contrast to this, leading us to believe that a full-scale recovery in demand will take time.

While we project a gradual recovery in the environment surrounding the Company, as mentioned above, there are many elements of concern, including the persisting trend of softness in steel materials prices in China and the instability of spot prices for raw materials and we will need to pay careful attention to circumstances going forward.

The JFE Shoji Group has formulated the second medium-term management plan for the Group covering the three years from April 2009 through March 2012 and has been engaged in activities designed to accomplish the tasks of the medium-term plan since last fiscal year.

We are working actively to develop the structural components of the Company under the management vision of “aiming to become a top-notch company of excellence among steel trading firms” in the current medium-term management plan, not only by undertaking measures focused on meeting the steel demand, especially the overseas demand expected to increase over the medium to long-term and by strengthening the Company in terms of profitability and financial soundness, but also by developing and enhancing human resources, by establishing a new corporate culture for the Group, and by enhancing CSR activities and maintaining a sound management infrastructure.

To be specific, we will establish new steel materials processing centers in China, India, Thailand, and other locations where further future growth in demand is expected and will strive to expand capabilities in line with such demand while we also make concerted efforts to build collaborative relationships with our customers and other companies involved in steel, primarily in the Asian region, including capital tie-ups with these companies. We will also work to develop new

sources of supply for iron ore, coal, and other raw materials for steel.

Cumulative consolidated business results for the first quarter are trending broadly in line with the forecast for the full consolidated fiscal year, so no changes have been made to the business results forecast announced on April 28, 2010.

Note: The forecast mentioned above was formulated based on information obtainable by the Company at present. Actual results may differ from the forecast due to various factors arising in the future.

## **2. Other Information**

1) Summary of reassignment of key subsidiaries (reassignment of specified subsidiaries in conjunction with changes to the scope of consolidation):

Nothing of note to report.

2) Summary of simplified accounting and special accounting procedures:

Nothing of special note to report.

3) Summary of general principles and procedures for accounts settlement and changes to methods of posting, etc.:

(1) Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”  
The “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, announced March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF (Practical Issues Task Force) Statement No.24, dated March 10, 2008) have been applied from the first quarter of the current consolidated fiscal year as a practical solution for the present and the requisite revisions have been made to the consolidated financial statements.

This has had no impact on profits and losses.

(2) Application of the “Accounting Standard for Asset Retirement Obligations”

The “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, dated March 31, 2008) and the “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No.21, dated March 31, 2008) have been applied from the first quarter of the current consolidated fiscal year.

This resulted in a decline of ¥13 million in both operating and ordinary income and a decline of ¥67 million in quarterly net income before income taxes and minority interests. The change in asset retirement obligations due to the application of this accounting standard is ¥67 million.

(3) Application of Accounting Standards for Business Combinations and Related Matters

The “Accounting Standard for Business Combinations” (ASBJ Statement No.21, dated December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, dated December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23, dated December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, dated December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, announced December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, dated December 26, 2008) have been applied from the first quarter of the current consolidated fiscal year.

## Consolidated Balance Sheets

	Millions of yen	
	June 30, 2010	March 31, 2010
<b>Assets</b>		
Current assets:		
Cash and deposits	¥ 28,782	¥ 24,466
Trade notes and accounts receivable	304,338	298,633
Merchandise and finished products	50,145	49,585
Work in process	483	412
Raw materials and supplies	16,085	15,593
Other current assets	33,732	33,160
Allowance for doubtful receivables	(1,630)	(1,677)
Total current assets	431,937	420,173
Non-current assets:		
Tangible fixed assets	39,917	39,901
Intangible assets	6,702	7,026
Investments and other assets:		
Other	62,130	64,540
Allowance for doubtful receivables	(4,802)	(4,854)
Total investments and other assets	57,328	59,685
Total non-current assets	103,948	106,614
Total assets	¥535,886	¥526,788

Note: Amounts under one million yen are omitted.

	Millions of yen	
	June 30, 2010	March 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Trade notes and accounts payable	¥278,833	¥274,522
Short-term borrowings	92,838	91,025
Accrued income taxes	2,363	1,784
Other reserve	97	97
Other current liabilities	27,906	24,650
Total current liabilities	402,039	392,079
Non-current liabilities:		
Long-term debt	17,046	17,046
Other reserve	4,989	4,956
Other	4,294	5,645
Total non-current liabilities	26,330	27,648
Total liabilities	428,369	419,727
<b>Net assets</b>		
Shareholders' equity:		
Share capital	20,000	20,000
Capital surplus	17,428	17,428
Retained earnings	73,304	71,364
Treasury stock	(348)	(347)
Total shareholders' equity	110,384	108,446
Valuation and translation adjustments:		
Net unrealized holding gain (loss) on securities	1,781	3,903
Net deferred gain (loss) on hedges	(16)	28
Land revaluation reserve	(405)	(408)
Translation adjustments	(9,182)	(9,803)
Total valuation and translation adjustments	(7,823)	(6,279)
Minority interests	4,955	4,894
Total net assets	107,516	107,060
Total liabilities and net assets	¥535,886	¥526,788

## Consolidated Statement of Income

	Millions of yen	
	1st quarter ended June 30, 2010	1st quarter ended June 30, 2009
Net sales	¥483,986	¥431,994
Cost of sales	466,420	417,185
Gross profit	17,566	14,808
Selling, general and administrative expenses	12,490	12,329
Operating income	5,076	2,479
Non-operating income:		
Interest income	91	116
Dividend received	231	364
Equity in earnings of unconsolidated subsidiaries and affiliates	461	—
Gain on valuation of derivatives	686	399
Other	390	576
Total non-operating income	1,861	1,456
Non-operating expenses:		
Interest expense	444	676
Exchange loss	848	483
Other	322	313
Total non-operating expenses	1,614	1,473
Ordinary income	5,323	2,462
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	5,269	2,462
Income taxes:		
Current	2,079	1,122
Deferred	10	173
Total income taxes	2,089	1,296
Net income before adjustment for minority interests	3,179	—
Minority interests (loss)	56	(201)
Net income	¥ 3,123	¥ 1,367

Note: Amounts under one million yen are omitted.

## Consolidated Statement of Cash Flows

	Millions of yen	
	1st quarter ended June 30, 2010	1st quarter ended June 30, 2009
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	¥ 5,269	¥ 2,462
Depreciation and amortization	1,421	1,453
Decrease in other reserve	(74)	(358)
Interest and dividend income	(322)	(480)
Interest expense	444	676
Equity in loss (earnings) of unconsolidated subsidiaries and affiliates	(461)	9
Decrease (increase) in trade notes and accounts receivable	(5,414)	55,467
Decrease (increase) in inventories	(825)	13,361
Increase (decrease) in trade notes and accounts payable	4,270	(72,713)
Other, net	(63)	4,755
Subtotal	4,242	4,633
Interest and dividend received	878	509
Interest paid	(410)	(881)
Income taxes paid	(1,449)	(7,967)
Proceeds from refund of income taxes	12	—
Net cash provided by (used in) operating activities	3,273	(3,706)
<b>Cash flows from investing activities</b>		
Increase in time deposits	(127)	(66)
Proceeds from withdrawal of time deposits	95	37
Purchases of tangible fixed assets	(724)	(420)
Proceeds from sale of tangible fixed assets	58	166
Purchases of intangible assets	(251)	(481)
Purchases of investments in securities	—	(5)
Proceeds from sale of shares of subsidiaries that are excluded from consolidation	—	81
Increase in loans receivable	(67)	(200)
Collection of loans receivable	99	4
Other, net	31	8
Net cash used in investing activities	(887)	(875)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	1,337	(12,241)
Increase in commercial paper	1,999	—
Repayment of finance lease obligations	(153)	(176)
Repayment of long-term debt	(15)	(50)
Revenues from capital contributions by minority shareholders	91	—
Cash dividends paid	(1,052)	(1,171)
Cash dividends paid to minority shareholders	(127)	(414)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	2,079	(14,056)
Effect of exchange rate changes on cash and cash equivalents	(0)	720
Net increase (decrease) in cash and cash equivalents	4,464	(17,918)
Cash and cash equivalents at beginning of period	24,231	61,590
Decrease in cash and cash equivalents due to exclusion from consolidation	(191)	—
Cash and cash equivalents at end of period	¥28,505	¥ 43,672

Note: Amounts under one million yen are omitted.

## Segment Information

### 1st quarter ended June 30, 2009

#### Business segment information

	Millions of yen						Consolidated
	Steel and Steel Peripherals	Food	Semiconductors	Real Estate	Total	Eliminations or Corporate	
Net sales:							
Outside customers	¥425,080	¥5,425	¥1,388	¥ 99	¥431,994	¥ —	¥431,994
Intersegment	—	0	1	—	1	(1)	—
Total	425,080	5,425	1,390	99	431,996	(1)	431,994
Operating expenses	422,692	5,275	1,426	140	429,535	(19)	429,515
Operating income (loss)	¥ 2,388	¥ 149	¥ (36)	¥ (41)	¥ 2,461	¥ 18	¥ 2,479

Notes: 1. Amounts under one million yen are omitted.

2. Unallocated operating expenses of ¥163 million for the 1st quarter ended June 30, 2009, respectively, included in the “Elimination or Corporate” column, consisted primarily of general and administrative expenses incurred at the Company.

#### Geographic segment information

	Millions of yen				Consolidated
	Japan	Other areas	Total	Eliminations or Corporate	
Net sales:					
Outside customers	¥409,069	¥22,925	¥431,994	¥ —	¥431,994
Intersegment	8,009	383	8,393	(8,393)	—
Total	417,078	23,309	440,387	(8,393)	431,994
Operating expenses	415,092	22,774	437,866	(8,351)	429,515
Operating income	¥ 1,986	¥ 534	¥ 2,520	¥ (41)	¥ 2,479

Notes: 1. Amounts under one million yen are omitted.

2. Other areas: U.S.A., China, Thailand, Malaysia

#### Overseas sales

	Millions of yen		
	1st quarter ended June 30, 2009		
	Asia	Other areas	Total
Overseas sales	¥105,480	¥34,026	¥139,506
Overseas sales as a percentage of consolidated net sales	24.4%	7.9%	32.3%
Consolidated net sales			¥431,994

Notes: 1. Amounts under one million yen are omitted.

2. Asia: South Korea, China, Philippine

Other areas: U.S.A., Panama, the British Virgin Islands

3. Overseas sales consist of sales of the Company and its consolidated subsidiaries outside Japan.

## 1st quarter ended June 30, 2010

### 1. Overview of Segment Information

It is possible to obtain financial information on the reporting segments separate from the constituent units of the Company. The Board of Directors, etc. determines the allocation of management resources and evaluates the results so these are subject to periodic review.

The Group consists of a holding company, beneath which are the operating companies that manage the separate businesses: JFE Shoji Trade Corporation, which manages the Steel and Steel Peripherals Business; Kawasho Foods Corporation, which manages the Food Business; Kawasho Semiconductor Corporation, which manages the Semiconductor Business; and Kawasho Real Estate Corporation, which manages the Real Estate Business. Each operating company formulates the general strategies for its respective products and services and the Company exercises oversight over these operating companies.

The segments of the Company therefore mainly consist of the separate products and services basic to these operating companies and their affiliates and the four reporting segments are the Steel and Steel Peripherals Business, the Food Business, the Semiconductor Business, and the Real Estate Business.

The main operations of the Steel and Steel Peripherals Business involve domestic and import/export transactions in steel products, steel raw materials, non-ferrous metals, chemicals, and other products. The main operations of the Food Business involve regional and import/export transactions in various kinds of food products. The main operations of the Semiconductor Business involve regional and import/export transactions in various types of semiconductor products. The main operations of the Real Estate Business involve the sale and leasing of real estate.

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

For the first quarter of the current cumulative consolidated period (From April 1, 2010 to June 30, 2010)

	Millions of yen					Adjustments	Amount Booked to the Quarterly Consolidated Statements of Income
	Reporting Segment				Total		
	Steel and Steel Peripherals	Food	Semiconductors	Real Estate	Total		
Net sales:							
Outside customers	¥475,859	¥5,367	¥2,616	¥142	¥483,986	¥ —	¥483,986
Intersegment	21	32	4	—	57	(57)	—
Total	475,880	5,399	2,621	142	484,044	(57)	483,986
Segment Profits (Losses)	¥ 4,916	¥ 264	¥ 163	¥ (64)	¥ 5,279	¥ 43	¥ 5,323

### 3. 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		¥5,279
Elimination of Intersegment Transactions		198
Total Unallocatable Company Profits (Losses) (Note)		(154)
Ordinary Income on the Quarterly Consolidated Statements of Income		¥5,323

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.

Additional Information:

The “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, dated March 27, 2009) and the “Revised Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, dated March 21, 2008) have been applied from the first quarter of the current consolidated fiscal year.

**Special Notes on Instances Where There Has Been a Substantial Change in Shareholders’ Equity**

For the first quarter of the current cumulative consolidated fiscal period (From April 1, 2010 to June 30, 2010)

The Company declared a year-end dividend based on the resolution passed at the annual General Meeting of Shareholders held June 29, 2010. This resulted in a decline of ¥1,180 million in retained earnings.