

JCR Affirmed A+ on JFE Shoji Holdings; Revised Outlook to Positive

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

- (1) JFE Shoji Holdings, Inc. is an equity-method affiliate of JFE Steel Corporation (hereinafter "JFE Steel") and JFE Holdings, Inc., 39.5% owned in terms of voting rights. As about a half of its officers including President are from JFE Steel and employees have exchanges with each other, the Company holds a close relationship with the JFE Group.
- (2) The creditworthiness of the JFE Group is incorporated in the ratings on the Company. The Company deals in approximately a half of JFE Steel's steel products sales volume, mainly high-end steel, which is JFE Steel's strength. Also playing a role in the JFE Group's supply chain, it shares the business strategies with the group. On October 26, 2011, the Company announced it signed a memorandum of understanding on a share exchange that would make it a wholly-owned subsidiary of JFE Holdings. The planned integration would speed up decision-making and expand their cooperation, making the Company even more important as a core of the entire group. As the JFE Group's creditworthiness would be reflected in the Company's ratings more strongly, JCR revised its outlook on the Company to Positive. JCR will closely watch the progress of the full ownership plan. After the integration, JCR will review the Company's position in the JFE Group to reflect in the ratings.
- (3) Affected by worsening external environment, the Company expects ordinary profit to fall 3.3% to 23 billion yen in the current year. Steel product exports will likely decline as the yen appreciates and the supply-demand balance worsens due to expanding production of Chinese, Korean and other mills. In the domestic market, demand for construction materials has been stagnant, as projects are delaying for the restoration from the Great East Japan Earthquake. Still, the Company's earnings base is solid, supported by stable business relationship with major clients. It is highly likely the Company can ensure enough profits to maintain the current financial structure while making investments that are necessary for mid- and long-term growth.
- (4) The Company has a policy to maintain well-balanced financial structure with the debt/equity ratio being about 1 time. The ratio was 1.1 times as of September 30, 2011, leveling off from 1.0 time as of March 31. Capital expenditures and investments would fall within the range of cash flow for some time to come. JCR does not assume the Company's financial structure will significantly deteriorate.

Rating

Issuer: JFE Shoji Holdings, Inc. (security code: 3332)

<Outlook Change>

Senior debts: A+ Outlook: Positive (from Stable)

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

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