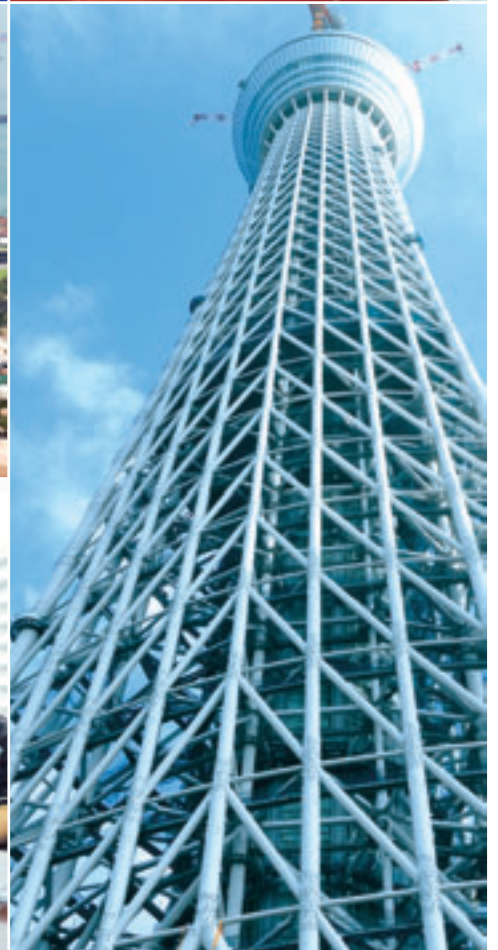




JFE Group  
**TODAY**  
**2011**



Corporate Vision

Contributing to society with  
the world's most innovative technology

Corporate Values

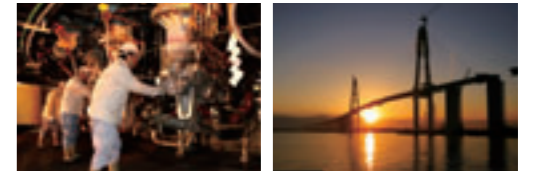
Challenging Spirit, Flexibility, Sincerity



1	2
3	JFE Group TODAY 2011 4
5	6
7	8

1. Pilot plant for solar power generation
2. Shareholders take a plant tour
3. Blowing-in ceremony at West Japan Works (Fukuyama)
4. Very large bulk carrier for iron ore transport
5. SkyPark rooftop garden
6. Tokyo Sky Tree under construction
7. Coral reef hosting diverse sea life
8. Staff meeting in Manila

- 01 Corporate Vision  
Corporate Values  
JFE Group History



- 02 Contents

- 03 Portraits of the JFE Group

17 Interview

Supporting Core Industries  
and Leveraging Technology  
for Society

Hajime Bada  
JFE Holdings  
President and CEO

Kumi Fujisawa  
Vice President of  
SophiaBank



21 Feature

Achieving Sustainable Growth Together  
with Stakeholders Worldwide



29 JFE Group Overview

- 31 Steel Business Overview

- 37 Engineering Business  
Overview

- 41 Shipbuilding Business Overview



- 45 CSR



- 47 Management Structure

- 48 Data

- 49 Financial Information

- 50 Five-year Financial Summary
- 51 Consolidated Balance Sheets
- 53 Consolidated Statements of Income
- 54 Consolidated Statement of Comprehensive Income
- 55 Consolidated Statements of Changes in Net Assets
- 58 Consolidated Statements of Cash Flows
- 59 Notes to Consolidated Financial Statements
- 76 Report of Independent Auditors

We express our heartfelt sympathy to the victims of the Great East Japan Earthquake.

To all those who have suffered losses resulting from this terrible disaster,  
we offer our solemn prayers for your safety and well-being  
and for the prompt restoration of your communities.



# JFE Group History

## April 1878

Shozo Kawasaki established Kawasaki Tsukiji Shipyard in Tsukiji, Tokyo.



Tsukiji Shipyard in 1891

## October 1896

Established Kawasaki Dockyard Company, Ltd. (Later renamed Kawasaki Heavy Industries, Ltd.)

## May 1917

Established Fukiai Works in Kobe.



Fukaii Works in 1930

## August 1943

Established Chita Works in Aichi Prefecture.



Chita Works in 1949

## August 1950

Spun off steel division of Kawasaki Heavy Industries as independent Kawasaki Steel Corporation.



Yataro Nishiyama, first president

## February 1951

Established Chiba Works, first modern integrated iron and steel works in postwar era.



No. 1 blast furnace at Chiba Works

## July 1961

Established Mizushima Works in Kurashiki, Okayama Prefecture.



Blowing-in ceremony of No. 1 blast furnace at Mizushima Works



### Group Name:

“J” stands for Japan, “F” stands for “Fe”, the atomic symbol for iron, and “E” for engineering. The letters also can be thought of as standing for “Japanese future enterprise”, to express the group’s vision and aspirations for shaping the future through its core businesses of steel production and engineering.

## April 2000

Began discussing cooperation between steel works.

## April 2001

Announced consolidation NKK and Kawasaki Steel operations.



NKK President Yoichi Shimogaichi (right) and Kawasaki Steel President Kanji Emoto (left).

## December 2001

Concluded basic agreement on consolidation. Announced JFE as new group name.

# 2000

## July 2001

Separated LSI Division.

**KAWASAKI MICROELECTRONICS, INC.**

## September 2002

**JFE Holdings, Inc.**

## January 2003

Released JFE Group’s first medium-term business plan.

## October 2002

Established Universal Shipbuilding Corporation by consolidating NKK and Hitachi Zosen.

## April 2008

**Universal Shipbuilding Corporation**

Incorporated Universal Shipbuilding Corporation as JFE Group company.

## April 2003

**JFE Steel Corporation**

**JFE Engineering Corporation**

**JFE Urban Development Corporation\***

\* Merged into JFE Steel in April 2011

# 1900

**Nippon Kokan K.K.**

**Asano Shipyard Co., Ltd.**

## April 1916

Established Yokohama Shipyard. (Later renamed Asano Shipyard Co., Ltd.)



Shipyard in 1940

## June 1912

Established Nippon Kokan K.K.



Motojiro Shiraiishi served as first president

## October 1940

Acquired and absorbed Tsurumi Steelmaking and Shipbuilding Company (formerly Asano Shipyard).

## June 1936

Blew-in first blast furnace and started integrated steel production.



Blowing-in of first blast furnace

## April 1968

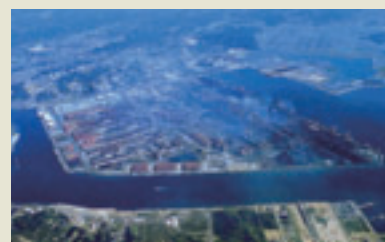
Established Keihin Steel Works. (consolidated Kawasaki, Tsurumi and Mizue Works)



Keihin Steel Works

## February 1965

Established Fukuyama Works.




Fukuyama Works in 1966

**Kawasaki Steel Corporation**

**Kawasaki Heavy Industries, Ltd.**

# 1950



A photograph of a steel mill interior. In the foreground, a worker in a white protective suit and white hard hat is focused on adjusting a large, complex piece of machinery. Behind him, another worker in a white suit and hard hat is also working on the equipment. In the background, a third worker in a yellow protective suit and hard hat is visible. The environment is filled with industrial pipes, valves, and large cylindrical components, all illuminated by warm, yellowish light. The overall scene depicts a busy and technical industrial setting.

## Crude Steel Capacity Reaches 33 Million Tons

With the completion of a 4,300m<sup>3</sup> expansion to the West Japan Works' No. 3 blast furnace in the Fukuyama District, JFE Steel's crude steel production capacity has risen to 33 million tons per annum. The Works completely renewed its control room and control system. It also installed highly corrosion-resistant bricks and upgraded the furnace body cooling system to extend the facility's operating life.



## Robust System for Automobile Steel Sheet Production in China



Launching a 1.8 million-ton cold rolling mill for steel sheet production

In the rapidly growing Chinese market, we increased Guangzhou JFE Steel Sheet's production capacity to keep pace with the demand for steel needed for cars and electrical appliances. We added a cold rolling mill and a continuous annealing line, and doubled the capacity of a hot-dip galvanizing facility that processes high-end steel sheets for cars.





## Linking People, Goods and Information

The Shinminato Bridge, the largest cable-stayed bridge on the Japan Sea, will connect to Toyama New Port at the foot of the Tateyama Mountain Range. Once completed, the bridge will facilitate easier movement of goods and greater interaction among communities. The structure's design and construction incorporate the very latest technologies for cable-stayed bridges, which JFE Engineering has achieved through work both in Japan and overseas over many years.



## Utilizing the Infinite Power of the Sun

At our demonstrative Concentrated Solar Power Plant, JFE Engineering successfully recovered more than 70% of the solar energy as vapor in a heat-receiving system last year. The company now plans to demonstrate even more efficient conversion of solar energy in a demonstration plant currently under construction at the Tsurumi Works.







## Advanced Vessels for Global Transport of Raw Materials

This very large ore carrier (VLOC) for the exclusive transport of iron ore is key to the way Universal Shipbuilding is responding to the coinciding increase in global demand for iron ore and the diversification of ocean routes. The vessel, built to accommodate the requirements of multiple routes and ports, has received many orders.



## Recycling Steel Byproducts to Preserve the Ocean's Biodiversity



Coral regeneration test at Miyakojima

Marine Blocks® made of solidified steel slag are laid on the ocean floor to support the formation of life-nurturing seaweed beds and coral reefs. Following the successful use of Marine Blocks in a number of marine environments in Japan, JFE is now conducting demonstration tests to promote their practical application in overseas locations.





## Vital Communication with Our Stakeholders

Since FY2006, JFE has been conducting special briefing sessions and guided tours for shareholders at various Group plants and sites. To date, about 12,000 shareholders have joined us.



### Supporting Reconstruction and Supplying Utilities with Electricity

**Fujisawa:** I am sorry to hear that the March 11 quake had significant consequences for the JFE Group.

**Bada:** Our Group subsidiaries in the Tohoku region suffered significant damage from the quake, but we have united as a group to make a concerted effort to overcome this challenge.

We truly appreciate the kind words of con-

lence and encouragement expressed by so many people. There was one particularly memorable example of cooperation that sticks out for me. When we told a certain South Korean manufacturer that our steel products had been covered with saltwater by the tsunami, they told us to make the shipment anyway and they would wash the products by themselves.

**Fujisawa:** That's a wonderful story. It shows the close ties that JFE has with its customers.

As a core industry, steelmakers will play a major role in Japan's efforts to rebuild from the quake. How is the JFE Group involved in the reconstruction?

**Bada:** Many kinds of steel materials are urgently required for rebuilding in the disaster area, from the construction of temporary housing to the resumption of essential services such as water, sewerage and gas. JFE Steel is giving priority to allocating its steel materials for the reconstruction. By the way, we have learned that steel-framed buildings and other steel structures built with seismic construction were relatively unscathed by the quake.

**Fujisawa:** Steel materials are a vital part of the backbone supporting our social infrastructure. Engineering firms must play a major role in rebuilding the damaged communities.

**Bada:** Exactly. JFE Engineering has been asked by local governments and utilities to inspect and/or help restore infrastructure for everything

from gas and water services to bridges and waste incineration and water treatment facilities. We sent many engineers into the field right after the quake.

**Fujisawa:** Power, as well as water and other services, is a critical part of social infrastructure. The media in Japan has widely reported that steel manufacturing plants have been generating electricity to supply to utilities following the quake. I think this is the first time to hear of such a thing.

**Bada:** Steel plants are massive power-generating facilities that can generate nearly enough power to be self-sufficient.

Right after the quake hit, we began running the powerplants at our steel mills at full capacity to supply electricity to power utilities. In addition to doing our part to conserve energy, we will keep running our powerplants at full capacity to supply power in light of expected power shortages this summer.

#### Interview

## Supporting Core Industries and Leveraging Technology for Society

Japan faces many challenges as it seeks to rebuild from the Great East Japan Earthquake, as well as overcome a power shortage and various environmental issues. JFE Holdings President and CEO Hajime Bada met with Kumi Fujisawa, vice president of the private think tank SophiaBank, to discuss the JFE Group's role in addressing these challenges.

# Hajime Bada

#### Profile

President and CEO, JFE Holdings, Inc.

Joined Kawasaki Steel Corporation in 1973. Was appointed a director after a long career on the company's engineering side. Appointed Senior Vice President of JFE Steel in 2002 and representative director and president in 2005. Became president and CEO of JFE Holdings in April 2010. Bada became president of the Japan Iron and Steel Federation in 2006 and became chairman of the World Steel Association in 2010.

# Kumi Fujisawa

#### Profile

Vice President, SophiaBank

After working for various investment fund management companies, Fujisawa founded Japan's first investment trust evaluation company in 1996. She helped to establish the private think tank SophiaBank in 2000 and was named a Young Global Leader in 2007 by the World Economic Forum, vaulting her onto the global stage. Fujisawa has been a visiting professor of the Hosei Business School of Innovation Management since 2005.



## Homegrown Technology for Global Business Focusing on Asia

**Fujisawa:** The disaster served as a reminder of how we are connected to the world, as in the case of the South Korean manufacturer you mentioned. China and other Asian countries are experiencing rapid economic growth, so their demands for steel, as well as social and industrial infrastructure, will continue to grow. What kind of global strategy has the JFE Group formulated?

**Bada:** I believe that Japanese industry should rely on technology to compete in the global arena. The JFE Group has leading technologies backed by many decades of experience. We operate the world's largest blast furnace. Quality is another one of our specialties. By using these strengths, we believe we can expand into emerging countries, centering on Asia.



**Fujisawa:** Are there any areas in which the steel industry would have difficulty expanding globally?

**Bada:** In some cases, the cost of building a steel plant from the ground up can be as much as half the national budget of the host country. When you consider the costs and time involved, it is often more efficient to handle upstream manufacturing in Japan and manufacture the end products abroad. In Asia, we are actively pursuing local production through vertical division of manufacturing with alliance partners. In FY2010, we invested in local companies and pursued mergers and acquisitions in countries such as China and Vietnam. We also signed a comprehensive cooperation agreement with a major Indian steelmaker, JSW Steel Ltd., which included our taking an equity stake in the company as part of our commitment to the Indian market. In this way, we intend to develop our global business by employing strategies that are best

suited to local circumstances.

**Fujisawa:** What is the overall global strategy of the JFE Group, particularly for engineering?

**Bada:** We will market engineering services for projects in China, Southeast Asia and Europe, centering on the environment, energy, water and wastewater. To open new offices abroad, we will nurture employees who can help the JFE Group develop global business.

## Advanced Technologies for Low-Carbon Societies

**Fujisawa:** Japanese industry will be asked to do more to conserve energy, partly due to the power shortages following the March 11 quake. Japan has some of the world's most energy-efficient steelmakers, but I feel the JFE Group needs to do even more in terms of developing technologies for energy and resource conservation.

**Bada:** I can appreciate your perspective, knowing your expertise in environmental issues. The JFE Group takes pride in being an international leader in environmental technologies.

To give you an example, we are collaborating with other Japanese steelmakers to develop an innovative technology that reduces carbon dioxide (CO<sub>2</sub>) emissions from steel manufacturing by some 30 percent. It is an impressive undertaking that will last for the next 30 to 40 years. As part of this project, the West Japan Works of JFE Steel began operating a pilot plant for CO<sub>2</sub> separation and recovery in February 2011.

**Fujisawa:** I understand that the JFE Group also develops technologies that conserve energy for end users. For example, the latest fleet of eco-cars offering better fuel efficiency and fewer carbon emissions would not be possible without lighter steel sheets.

**Bada:** Aluminum and carbon fiber are superior to steel in terms of reduced weight, but steel actually offers the lowest total energy expenditure in terms of total lifecycle, from manufacturing to disposal.

Non-oriented electrical steel sheets are being widely used around the world for high-efficiency motors that offer significantly better performance. Many of today's hybrid and electric cars use these steel sheets.

**Fujisawa:** The JFE Group is also putting its weight behind R&D for environmental technologies other than steel.



**Bada:** Engineering is a cornerstone of our environmental efforts. For instance, we develop waste-processing facilities and export the technology to countries such as Italy. Our engineering unit has helped to build nine of the 18 geothermal power plants in Japan, and is also involved in constructing plants for solar energy and solar thermal power.

Japan is also a global leader in marine environmental performance, including building ships that offer about 10% better fuel economy than South Korean ships. The JFE Group also is developing eco-ships that will consume half the conventional amount of fossil fuels and use solar power and even sails. The technology already has been proven in small pilot vessels and we now are working on applications for large vessels.

## Group Synergies and Long-Term Ties with Stakeholders

**Fujisawa:** Many industries, including steel, are realigning. Considering the rapid pace of globalization, what is the JFE Group's vision of the future?

**Bada:** Our portfolio is unlike any other corporate group in the world, with business segments ranging from steel and engineering to shipbuilding and large-scale integrated (LSI) circuits. In addition to improving the efficiency and profitability of each of our segments, we are fostering synergies throughout the Group.

**Fujisawa:** You have segments that use products manufactured on your own, so it seems that you put a lot of emphasis on product development.

**Bada:** To give an example, we are focusing on technology for ballast water treatment. Vessels typically carry a large amount of seawater to ensure stability, but when seawater loaded in one location is released in a different location at the end of a voyage, it can have a negative impact on the local environment, so we need a way to clean ballast water.

The JFE Group is leveraging its technical expertise in shipbuilding and engineering to develop a solution.

**Fujisawa:** Since the technology will help to protect biodiversity, it will become increasingly important.

**Bada:** It is important for Japanese companies to continue producing within Japan as much as possible. Japan has some of the world's best and most sophisticated technologies and highest levels of quality, which give us an edge in the global marketplace. We need to further these strengths to spur our global business.

**Fujisawa:** What would you like to say to your stakeholders?

**Bada:** The JFE Group's corporate activities involve diverse stakeholders, including customers, shareholders, host communities and employees. We will continue working to secure sustainable growth while emphasizing our relationships with these stakeholders.

**Fujisawa:** When people see white smoke coming from the flues of a steel plant, sometimes they assume it is CO<sub>2</sub> when in fact it is just water vapor. It is very important to accurately convey and communicate the facts, such as the JFE Group's contributions to power supply.

**Bada:** Yes, it's important to be perceived accurately. That is why we continue to engage in initiatives such as inviting shareholders and local elementary and junior high school students to tour our steel plants, so that people understand what we are about.

**Fujisawa:** I hope that the JFE Group will continue to make such efforts. Thank you for inviting me here today.

**Bada:** Thank you for joining us.





4:00 ▶ 7:59  
Japan Standard Time



Kawasaki, Japan

Feature

# Achieving Sustainable Growth Together with Stakeholders Worldwide

In a determined effort to expand its global presence, JFE is pursuing sustainable growth through close cooperation with diverse stakeholders, aiming to develop businesses with deep roots in their host communities. The following pages introduce a cross-section of activities in the JFE Group's global organization, which operates on a nonstop 24/7 basis.



Kawasaki, Japan

4:00

JFE Steel Corporation

Keihin Area blast furnace, East Japan Works  
Dawn at the blast furnace, which operates all day, every day.

8:00 ▶ 11:59  
Japan Standard Time



Tsu, Japan

Johor, Malaysia

Queensland, Australia



Tsu, Japan

8:00

Universal Shipbuilding Corporation

Tsu Shipyard

Staffers talk about production efficiency and safety when building large bulk carriers.



Johor, Malaysia

10:00 Japan Standard Time

9:00

JFE Engineering Corporation

Plant construction site

Explaining specifications while visiting a proposed electric power plant.



Queensland, Australia

11:00 Japan Standard Time

12:00

JFE Steel Corporation

Coal mine inspection

Touring coal mines in Australia with a view to securing stable supplies of high-quality coal.





12:00 > 14:59  
Japan Standard Time



**Vijayanagar, India**

14:00 Japan Standard Time

10:30

**JFE Steel Corporation**

**JSW Steel steelworks**

Talking with local engineers about facility and operational plans at a key steelworks.



**13:00 Singapore**

14:00 Japan Standard Time

**JFE Engineering Corporation**

**Singapore office**

Building mutual trust and understanding with the local team.



**Qingdao, China**

12:00 Japan Standard Time

11:00

**JFE Engineering Corporation**

**Qingdao waste to energy plant**

Treating and reducing municipal solid waste with efficient waste-to-energy plants is a viable social-infrastructure solution for China.



15:00 > 17:59  
Japan Standard Time



**Ariake, Japan**

15:00

**Universal Shipbuilding Corporation**

**Ariake Shipyard**

Before it heads out to sea, a ship built with the tireless dedication of the company's engineers and workers is turned over to its new owner during a ceremony.



**Bangsaphan, Thailand**

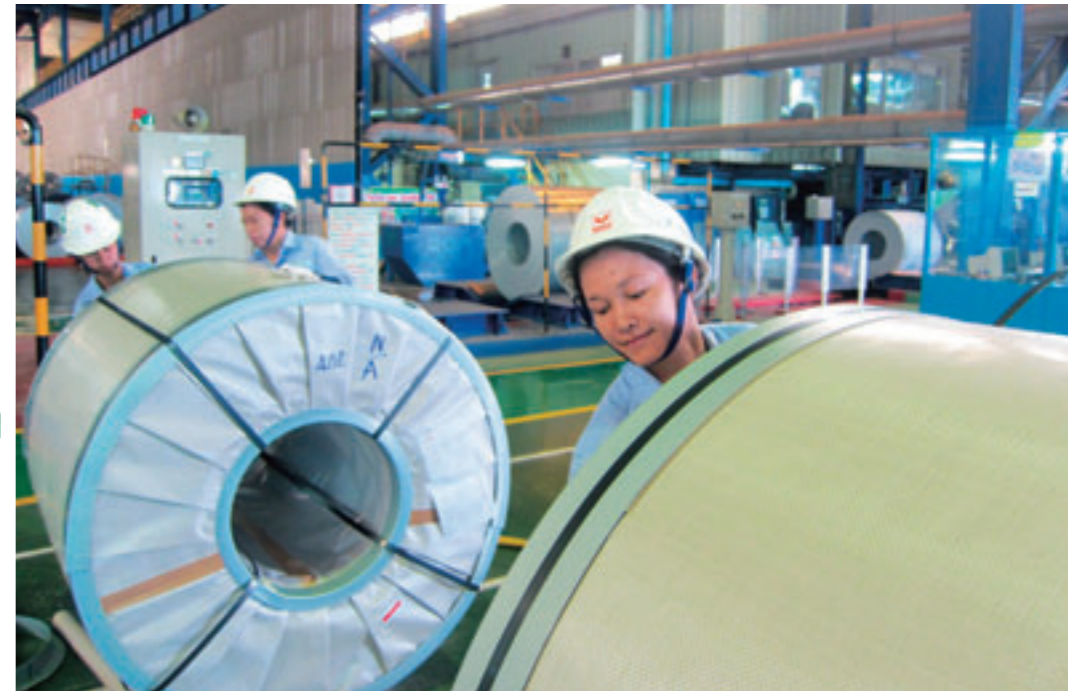
16:00 Japan Standard Time

14:00

**JFE Steel Corporation**

**Thai Coated Steel Sheet (TCS) plant**

High-quality electrogalvanized sheet is carefully packed before shipment.



**Manila, Philippines**

17:00 Japan Standard Time

16:00

**JFE Engineering Corporation**

**Project Office**

Employees collaborate on designing an advanced wastewater treatment facility using a three-dimensional CAD system.





18:00 > 20:59  
Japan Standard Time



**Bangalore, India**  
19:30 Japan Standard Time  
**16:00**



**KAWASAKI MICROELECTRONICS, INC.**

**India Branch**

Through close international collaboration, semiconductors are developed around the clock by utilizing time differences between offices in Japan, the United States and India.

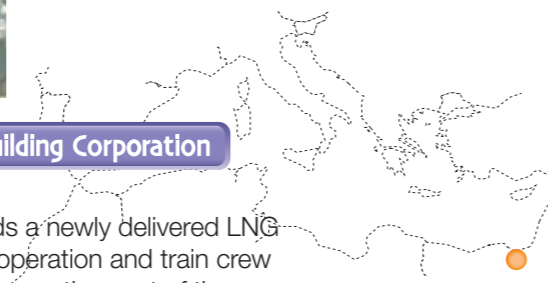


**Suez Canal**  
20:00 Japan Standard Time  
**13:00**

**Universal Shipbuilding Corporation**

**Suez Canal**

An engineer boards a newly delivered LNG carrier to confirm operation and train crew members for three months, part of the company's performance guarantee.



**Ulan Bator, Mongolia**  
18:00 Japan Standard Time  
**17:00**

**JFE Engineering Corporation**

**Elevated bridge construction site**

Mongolia's first full-scale steel bridge construction with strict measures for quality and safety.



21:00 > 03:59  
Japan Standard Time



**London, United Kingdom**  
22:00 Japan Standard Time  
**13:00**

**JFE Steel Corporation**

**London**

Discussing the distribution of high-end steel in Europe, part of the company's global export activities.



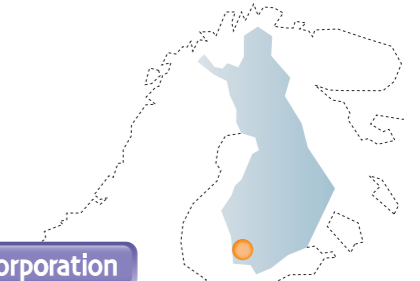
**Rauma, Finland**  
21:00 Japan Standard Time

**14:00**

**Universal Shipbuilding Corporation**

**Engine manufacturer**

Pre-shipment propeller trial to check specifications, compile information and liaise with the office back in Japan.



**Houston, United States of America**  
3:00 Japan Standard Time

**12:00**

**JFE Steel Corporation**

**Houston oil well**

Field tour to confirm local demands for steel pipe needed to excavate oil in the state of Texas.







# Challenging Spirit, Flexibility, Sincerity

Our aim is to work closely with our many diverse stakeholders by integrating the JFE Group and challenging ourselves to continue innovating new value.



## JFE Steel Corporation

### Houston Office

The oil and gas industry demands the highest-quality engineered products for use in extremely harsh environments. As a leading developer in these fields, we take great pride in presenting JFE Steel products to clients. We want to become the No.1 steel company serving the global oil and gas industry.



## JFE Engineering Corporation

### Planning & Engineering Dept., Building Structure Engineering Division

Based on our solid engineering track record, I look forward to helping to build skyscrapers over 300m high, not just in Japan or my home country of China, but throughout the world.



## JFE Steel Corporation

### East Japan Works (Keihin District) Plant Control Department

To ensure that we remain on the cutting edge of the engineering field in these rapidly changing times, we have adopted a highly proactive stance for the delivery of high-quality maintenance operations.



## Universal Shipbuilding Corporation

### Structural Design Section, Ariake Shipyard

We endeavor to build safe, reliable and eco-friendly ships to solidify our name as a respected shipbuilding brand worldwide.



## JFE Engineering Corporation

### Heavy Industry Factory, Tsurumi Works

Hoping to become a true expert in an assembly and operation of ship engines. I want to expand my skill to build power generators.



## JFE Steel Corporation

### West Japan Works (Kurashiki) Hot Rolling Department

As an engineer, I want to help further strengthen our production efficiency and product quality to establish JFE as a global brand that customers consider to be indispensable.



## JFE Engineering Corporation

### Planning Division, Main Energy Division

As part of making our company the very best in its field, we want to build safe and responsive energy infrastructure that our children and grandchildren will be proud of.



## JFE Engineering Corporation

### Heavy Industry Factory, Tsurumi Works

Through my study of JFE technologies and the Japanese language, I hope to serve as a bridge between Japan and Indonesia and utilize my technical knowledge for the best of both countries.



## Kawasaki Microelectronics

### Design & Development Division, Business Unit 1

I am always looking for ways to enhance our semiconductor technology and deepen our understanding of market needs so that we can continue to meet customer expectations and maintain their trust.



## JFE Steel Corporation

### Chita Works Medium-Diameter Seamless Pipe Plant

Never content to offer conventional levels of safety and quality, we always strive to improve our performance and thereby help JFE to remain one of the most admired brands in the world.



## JFE Steel Corporation

### Electric Steel Sales Department

My goal is to acquire a wide range of knowledge and experience to become a trusted sales representative among my customers, and then someday apply my skills in overseas markets.



## Universal Shipbuilding Corporation

### Hull Construction Section, Maizuru Shipyard

Although I am proud of the knowledge I have honed over the years, I enjoy working with younger colleagues to refine our skills for the construction of high-quality ships.



## JFE Steel Corporation

### West Japan Works (Fukuyama) Cold Rolling Department

As a corporation trusted by society, we are developing employees who are highly aware of safety requirements and disaster risks, which will enable us to reinforce our on-site capabilities.



## JFE Engineering Corporation

### Management Division, Overseas Business Division

By applying myself diligently every day, I want to acquire specialized knowledge to become an expert in taxation and accounting in my home country of Indonesia.



# New Possibilities for Steel and Related Materials: Exploring Broader Application Throughout Society – JFE Group

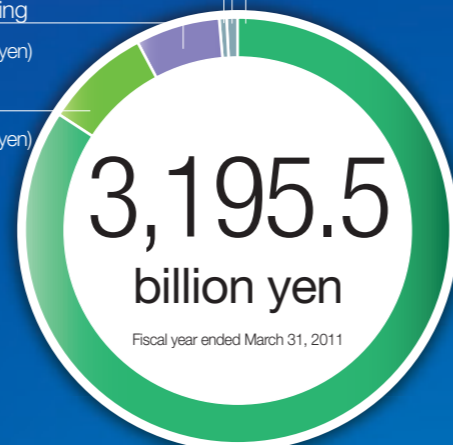
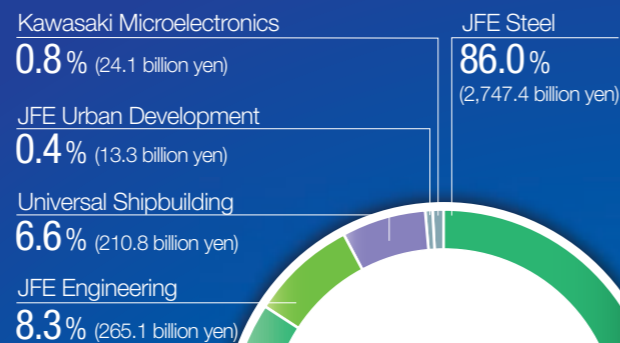
In 2002, Nippon Kokan K.K. (NKK) and Kawasaki Steel Corporation joined forces to launch the JFE Group under the holding company JFE Holdings, Inc. In the years since, the JFE Group has contributed to society by developing and implementing some of the world's most advanced technologies. Going forward, the Group aims to build on its reputation for excellence in a range of key fields.

## Holding Company

### JFE Holdings, Inc. Maximizing Corporate Value

JFE Holdings performs the key roles of strategic planning, risk management and external accountability as the holding company of the JFE Group, enabling Group companies to devote their full attention to the enhancement of competitiveness and profitability.

## Group Sales Breakdown



Adjustments: - 2.0% (- 65.3 billion yen)

## Steel Business

### JFE Steel Corporation

“Only One” and “Number One” Products for the World

JFE Steel is one of the world's leading integrated steel producers. A strong international player with a sophisticated production system consisting of two major steelworks, one each in eastern and western Japan, JFE Steel engages in the production and sales of branded “Only One” and “Number One” products, plus a wide range of other extra-value products incorporating the company's cutting-edge technologies and development knowhow.



## Engineering Business

### JFE Engineering Corporation Innovative Technologies for Energy and the Environment

JFE Engineering technologies enhance the effective use of resources for clean energy. In addition to its core businesses in environmental infrastructure and energy, JFE Engineering has developed specialized expertise in the fields of industrial machinery and steel structures, such as bridges.



## Shipbuilding Business

### Universal Shipbuilding Corporation

Meeting Global Needs with Energy-saving Technologies  
With its “fleet” of five shipyards and one technical research center, Universal Shipbuilding has become a leader in the construction and repair of large merchant ships, including tankers, special vessels such as AHTSVs, minesweepers and icebreakers.

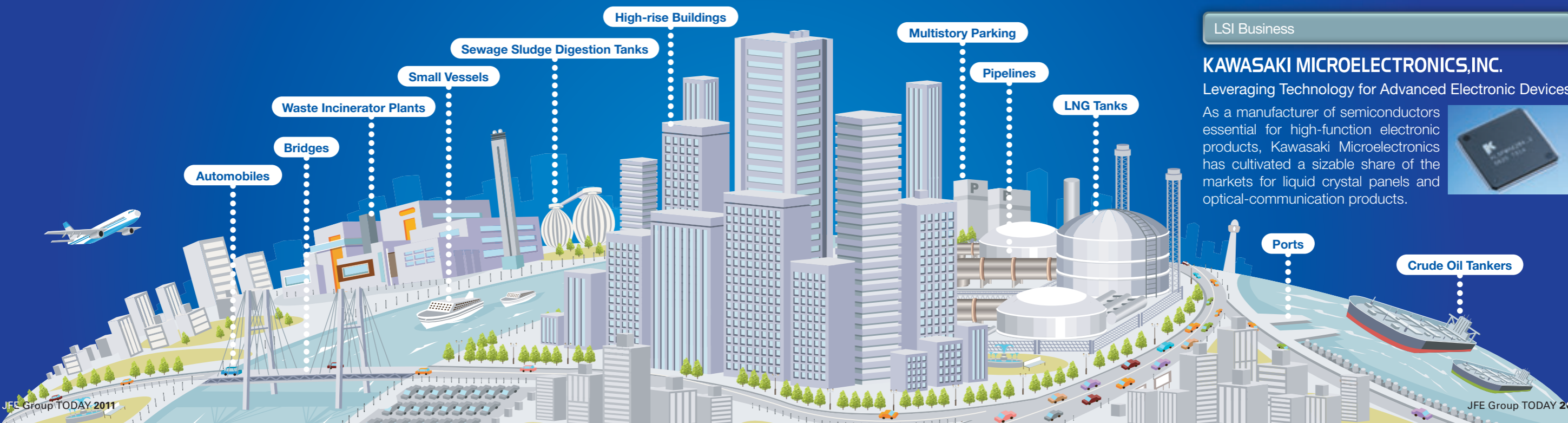


## LSI Business

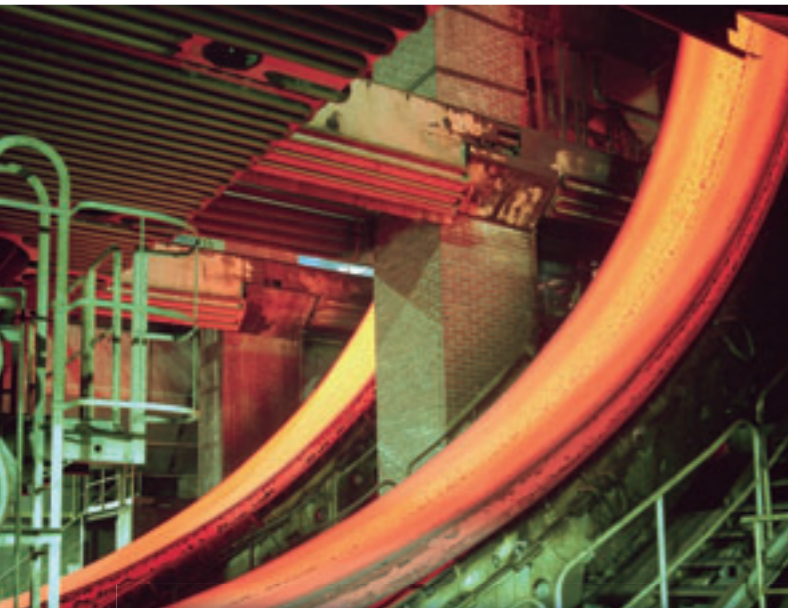
### KAWASAKI MICROELECTRONICS, INC.

Leveraging Technology for Advanced Electronic Devices

As a manufacturer of semiconductors essential for high-function electronic products, Kawasaki Microelectronics has cultivated a sizable share of the markets for liquid crystal panels and optical-communication products.







## JFE Steel Corporation

**JFE Steel is building a truly global manufacturing and distribution framework, with a special emphasis on unique, market-leading “Only One” and “Number One” products, in response to increasing worldwide demand for high-end steel.**

As a steelmaker with world-leading production facilities and expertise in the development of innovative technologies, JFE Steel responds to global market demands for high-end steel by developing products that offer unique characteristics and superior functionality. Going forward, as we continue to provide Japanese customers with stable supplies of high-end steel products, we intend to actively increase our supply of superior products to customers worldwide by establishing and expanding high-quality steel production and distribution networks in partnership with leading steelmakers overseas. At the same time, we will remain committed to furthering the aspirations of local communities and society at large through our proactive development of solutions for environmental protection.



**Eiji Hayashida** President & CEO



## Two Major Steelworks with Large-scale Blast Furnaces

JFE Steel boasts an impressive production network in Japan, divided roughly into two major steelworks. The East Japan Works comprises the Chiba district, where the company built Japan’s first integrated coastal steelworks in the early 1950s, and the Keihin district, located on the 5.5 million m<sup>2</sup> Ohgishima man-made island in Tokyo Bay. The West Japan Works includes the Fukuyama and Kurashiki districts, both of which boast expansive

sites and proximity to deep harbors. Both steelworks —East and West— have large, world-class blast furnaces, and together they offer a combined crude steel production capacity of 33 million tons. The production network also includes the Chita Works, one of the world’s leading specialized steelworks, which produces a world-leading range of steel pipes and tubes, including tubular goods for the oil industry and line pipes.



## Collaborating with Our Customers

JFE Steel, a longtime trendsetter in the steel-making industry, established its Customer Solution Lab in 2005 as a collaborative testing and research facility to enable engineers and other company specialists to engage customers in joint research. This first-rate venue for collaborative research offers separate areas for work and experimentation. There also is an exhibition space where prospective collaborators can view the company’s advanced materials for automobiles, as well as related processing and application technologies. THINK SMART (Steel Material for Application

Research and Technology) is a separate facility for joint testing and research. Customers and university-affiliated research institutes are welcomed to the facility for collaboration in practical testing of steel materials, structures and construction techniques.



Customer Solution Lab (Chiba District)



THINK SMART (Keihin District)



## Expanding Our Ownership of Vital Resources

The stable sourcing of coking coal and iron ore is becoming ever more critical for blast furnace makers in the face of increasing worldwide demand for steel, primarily in emerging countries. Mindful of this trend, JFE Steel is expanding its ownership of vital global resources. In December 2009, JFE acquired a 20% stake in QCoal's Byerwen Coal Mine in Australia. Once the mine is fully operational sometime in 2012, JFE expects to procure two million

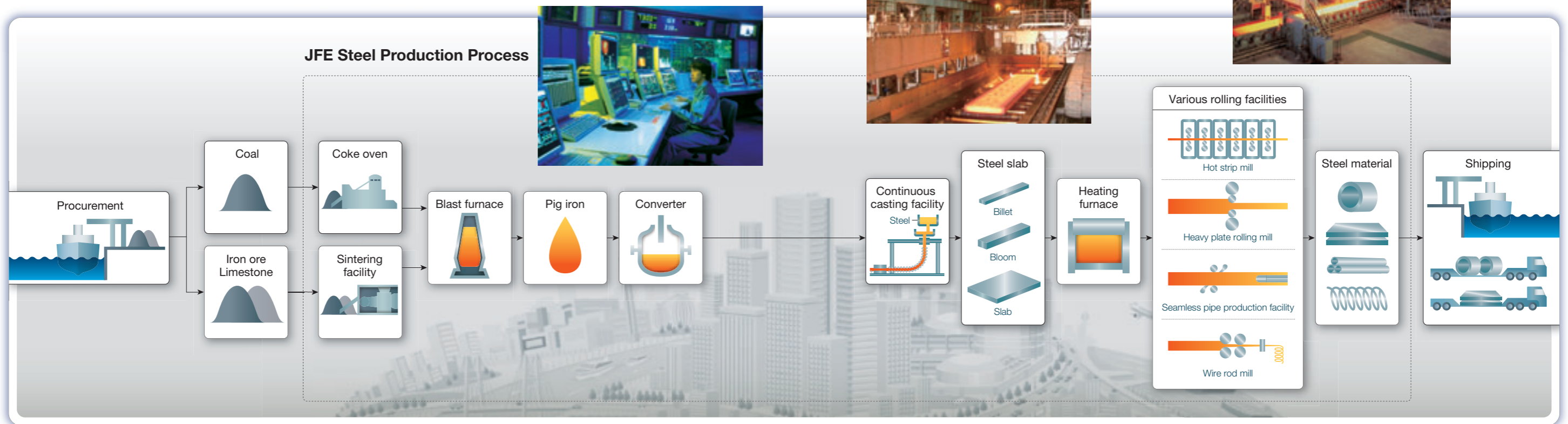


tons of high-quality coking coal annually. The company, working through its membership in a Japanese-Korean consortium, also acquired an interest in Brazil's Nacional Minérios S.A. (NAMISA) for iron ore. As a result, JFE has enhanced its resource ownership to 19% for coking coal and 16% for iron ore. In the future, the plan is to continue securing interests in vital resources until ownership is raised to 30% for both coking coal and iron ore, respectively. At the same time, JFE is committed to its expanded use of inexpensive low-grade raw materials through the development and application of new technologies.

## Creating a Global Edge with Value-added Products

With the world's high-end steel market poised to grow, JFE Steel is taking steps to ensure it is ideally positioned to respond. In markets including China, India and Southeast Asia, production and distribution networks for high-end steel are being established through vertically specialized frameworks created with local partners. Guangzhou JFE Steel Sheet Co., Ltd., a 50-50 joint venture in China, is

adding a cold-rolling mill and hot dip galvanizing line for the supply of automotive steel sheet. In India, the company has entered the automotive-steel market by taking an equity position in JSW Steel, the nation's largest private steel company. In addition, cooperative arrangements for all product lines in India are being expanded, aiming to solidify JFE Steel's foothold in this promising emerging market.



## Advanced "Only One" and "Number One" Products

JFE's branded "Only One" and "Number One" products are developed from original concepts and with sophisticated technologies for diverse applications, including steel sheet for automotive

purposes, high-strength steel sheet for construction and more. These special products currently account for one-third of JFE Steel's sales.



HBL®385 (high-strength steel plate for construction)



JFE443CT (highly corrosion-resistant stainless steel sheet)

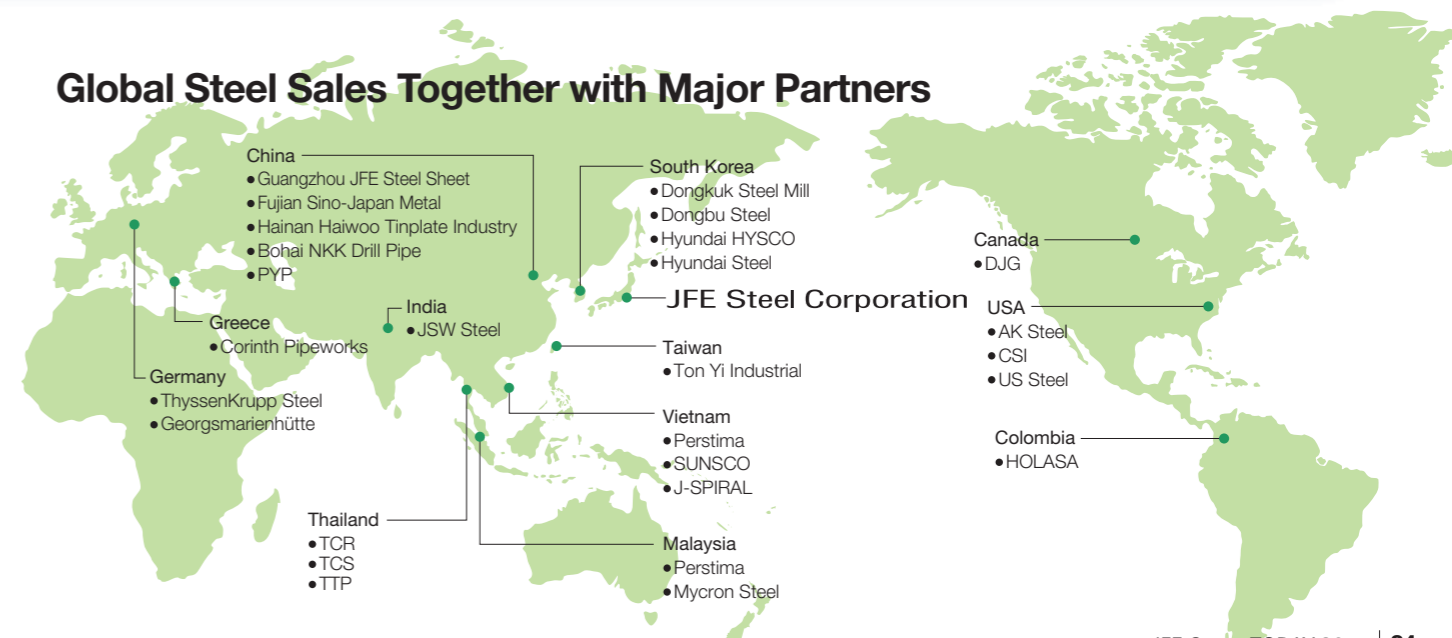


Super core (electrical steel sheets for high-frequency application)



JAZ® (highly lubricated automotive GA steel sheet)

## Global Steel Sales Together with Major Partners





# JFE Steel Corporation Highlights 2010



**Products** **Successful bid to construct Miyazaki Solar Way Tsuno No. 2 Power Plant**  
Mobilizing the JFE Steel Group's many proprietary technologies, we tendered a successful bid for the construction of our first megawatt solar power plant.



**Research & Development** **Award for NANOHITEN® advanced automotive steel technology**

JFE received the Economy, Trade and Industry Minister's Award for hot-rolled, high-strength NANOHITEN® technology. The ministry's most prestigious award recognized JFE's achievement in helping significantly to improve automotive fuel efficiency and reduce CO<sub>2</sub> emissions through lighter-weight motor vehicles.

**Products** **Completed 8,300-ton delivery of high-strength round steel tubes for Tokyo Sky Tree**

Tokyo Sky Tree, already Japan's tallest structure prior to completion in 2011, is using JFE Steel-supplied high-strength steel pipes for everything from its underground foundation to its top-most tower where antennas will be installed.

Courtesy Tobu Railway Co., Ltd. and Tobu Tower Sky Tree Co., Ltd.

**Marketing & Sales** **JFE and GMH Holding sign technical collaboration agreement**

Building on a previous agreement for collaboration in the automotive field, JFE and German-based GMH Holding signed a technical collaboration agreement to produce steel bars for the energy sector, mainly in the field of wind power.



**Sports Sponsorship**

**JFE East Japan baseball team finishes in top eight of intercity tournament**

More than 10,000 loyal JFE supporters flocked to Tokyo Dome in central Tokyo to demonstrate their enthusiastic support for the JFE East Japan team, which advanced to the quarterfinals of this regional semi-pro baseball tournament.



**Marketing & Sales** **Agreement with JSW Steel for equity participation and technology provision**

JFE signed an agreement with JSW, India's largest private steel manufacturer, to acquire an equity interest and provide the company with special technology, thereby establishing a foothold in this rapidly growing market.

**Products** **Marine Blocks® demonstrated in coral reef regeneration project in Indonesia**

An undersea test along the shores of Indonesia demonstrated that JFE Steel's Marine Blocks® made of solidified slag can help to regenerate the world's declining coral reefs.

**Marketing & Sales**

**Acquisition of spiral steel pipe maker in Vietnam**

JFE established a presence in Vietnam's steel pipe manufacturing and sales sector to supply products to construction projects in Southeast Asia, including large-scale infrastructure such as ports and railways.



**Transport**

**Japan's first electric-propulsion ship for transporting steel products**

An electric-propulsion ship for transporting steel products, a first for Japan, offers 5% better fuel efficiency than conventional diesel ships, resulting in reduced CO<sub>2</sub> emissions.



**Research & Development**

**Outdoor test of CO<sub>2</sub> physical adsorption pilot plant at West Japan Works (Fukuyama)**

In a joint initiative with blast furnace makers of the Japan Iron and Steel Federation for developing technology to reduce CO<sub>2</sub>, JFE has been developing technology for the separation and adsorption of CO<sub>2</sub> and fuel gas from blast furnace gas, which is now being tested in an experimental facility.



APRIL 2010 | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | FEBRUARY 2011 | MARCH

- JFE awarded 43rd Annual Ichimura Industrial Awards—Contribution Prize for high-strength HBL385 steel with high aseismic capacity.
- JFE awarded Commendation for Science and Technology by Minister of Education, Culture, Sports, Science and Technology for development of high-strength steel pipe offering superior deformation performance.

- JFE West Japan Fiesta in Fukuyama.
- 15th J1 Activity Result Report Meeting.

- Completed construction to increase steelmaking capacity at West Japan Works (Fukuyama District).
- JFE awarded METI Minister's prize for NANOHITEN® innovative technology for hot-rolled, high-strength steel sheet for automobiles.

- Agreements signed with India's JSW Steel for equity participation and technology provision.
- Completed delivery of 8,300 tons of circular steel pipe for Tokyo Sky Tree.

- JFE East Japan baseball team reaches quarterfinals of intercity tournament.
- East Japan Works and West Japan Works host summer-holiday plant tours.

- Companywide disaster-preparedness drills held.
- JFE wins bid to construct Miyazaki Solar Way Tsuno No. 2 Power Plant.

- World Steel Association annual general meeting held in Tokyo.
- JFE Steel announces President's Prize.
- Technical alliance agreement signed with GMH Holding of Germany.
- JFE Chiba Festival held.

- JFE acquires spiral steel pipe manufacturing company in Vietnam.
- JFE Festivals held in Kurashiki, Keihin and Chita.
- 16th JFE J1 Results Report Meeting held.

- Newly added facilities of No. 6 coke oven, West Japan Works (Kurashiki District) start operating.
- Japan's first electric-propulsion ship for transporting steel products enters service.
- JFE participates in Eco-Products 2010.

- Marine Blocks® adopted for coral reef regeneration project in Indonesia.
- No. 5 continuous annealing line of West Japan Works (Fukuyama District) begins commercial operation.

- JFE acquires stake in Brazilian rare metal (niobium) mining company.
- Construction begins on hot dip galvanizing line for automobiles in Thailand.
- CO<sub>2</sub> physical adsorption bench plant at West Japan Works (Fukuyama District) begins experimental operation.

- JFE receives Okouchi Memorial Prize for high-performance, high-strength steel sheet made with NANOHITEN® technology for motor vehicles.
- JFE establishes PCM sheet production and sales company in China.





## JFE Engineering Corporation

The global mission of JFE Engineering is to develop and apply advanced technologies that support efforts to save energy and conserve resources.

JFE Engineering supports both industry and society as a whole by developing solutions that meet needs in critical areas, such as urban infrastructure and energy. The company has an outstanding track record in state-of-the-art technologies involving natural gas and waste-to-energy applications, and it is aggressively investing in R&D to support the increased use of renewable energies.

JFE Engineering is using its expertise in these highly beneficial technologies as a platform for addressing needs in countries around the world. The company also is placing top priority on applying knowhow to restructure infrastructure in Japan.

**Sumiyuki Kishimoto** President & CEO



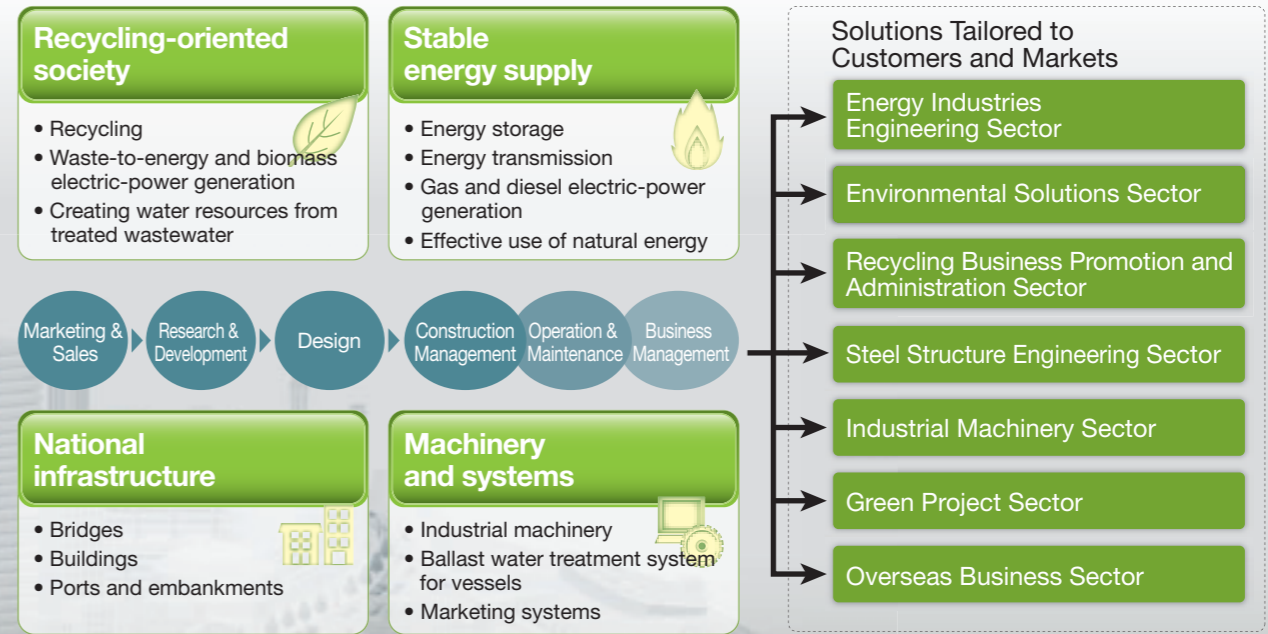
### Rebuilding Social Infrastructure

Extensive damage caused by the Great East Japan Earthquake has brought to light significant problems in regional social infrastructure. In particular, Japan must urgently improve the safety of its coastlines and essential services, as well as narrow the gap in electricity supply to areas still without power. JFE Engineering is providing prompt solutions for many such problems based on the company's extensive knowhow and superior products for coastal structures, essential utilities, energy-saving technology and distributed electric-power generation.



### New Product Development and Marketing

JFE Engineering is developing and marketing a range of energy-efficient products in fields such as solar energy generation, geothermal power generation, geothermal heat pump systems and EV quick chargers for electric automobiles (photo). Two such products were launched last year and have already received wide acclaim and actual orders: the Hyper-Z, a power plant that turns waste into high-efficiency electricity generation, and Ballast Ace, a ballast-water treatment system for ships.



### Targeting Overseas Business

In order to meet the worldwide environmental needs, JFE Engineering is increasingly deploying its engineering knowhow toward infrastructure that supports environmental solutions tailored to varying needs in Asia and Europe. The 14 international sales offices of our Overseas Business Sector are actively marketing environmental solutions, placing a special focus on major projects.

JFE Engineering overseas sales offices





JFE Engineering Corporation  
**Highlights 2010**



**Haneda Airport D Runway enters service**

JFE Engineering completed construction of a 100,000-ton steel jacket platform for a section of runway and taxiway with pile foundations at Haneda Airport in Tokyo.



**Malaysian Prime Minister visits recycling plant**

JFE Engineering President Kishimoto explained to PM Dato' Sri Mohd Najib how plastic bottles are recycled into high-quality PET flakes.



**JFE Engineering forms alliance with Takeei**

Together with major recycler Takeei Co., Ltd., JFE Engineering is targeting top-scale recycling opportunities in Japan.



**Completion of huge SkyPark rooftop garden in Singapore**

Applying its special technology and knowhow for large steel-block structures developed through the construction of long-span bridges, JFE Engineering completed the construction of an enormous rooftop garden 200 meters above ground.



**First order for JFE Ballast Ace**

JFE Ballast Ace, a ballast-water treatment system for vessels, was installed in its first vessel as the only domestically produced system of its kind.



**Launch of Hyper Z plant**

JFE Engineering began operating its waste-powered electricity-generating plant, built with cost-efficient construction supported by standardization.



**Entry into solar thermal power field**

JFE Engineering successfully demonstrated a tower-type power plant that uses a collector to convert solar thermal power into steam.



**Exhibition of quick charger at EV Japan show**

Our RAPIDAS quick charger, featuring built-in batteries to utilize electricity in peak-off hours, attracted considerable attention at this major EV exhibition.



APRIL 2010 | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY 2011 | FEBRUARY | MARCH

- Malaysian Prime Minister visits recycling plant.
- NS Yushiro Co., Ltd. joins JFE Group.
- JFE Engineering launches LED lighting sales through JFE Advanced Light Co., Ltd.
- JFE Engineering forms alliance with Takeei.
- JFE Engineering agrees with Omat International, Inc. of the United States on a business alliance for geothermal binary power systems.
- First order for JFE Ballast Ace.
- Completion of huge SkyPark rooftop garden in Singapore.
- JFE announces construction of a new dormitory, equipped with advanced technologies, for single employees.
- Ministry of the Environment approves use of Environmental Technology Verification (ETV) logo for JFE Engineering's geothermal heat pump system.
- Tsukishima Kikai Co., Ltd. and JFE Engineering jointly commissioned to conduct pilot project on bio-ethanol production technology.
- Regional Sales Headquarters Asia-Pacific established in Singapore.
- Entry into solar thermal power field.
- The first order received in China for biogas electric power generation system using food waste.
- Green Project Promotion Headquarters established.
- Haneda Airport D Runway enters service.
- JFE Engineering uses its rapid charger technology in electric bus development project initiated by Kanagawa Prefecture.
- Neo-White Hydrate Method is developed as technology for CO<sub>2</sub> capture and storage.
- Alliance formed with Tsukishima Kikai Co., Ltd. to promote urban environmental infrastructure business overseas.
- Launch of Hyper Z plant
- Order received for replacement of waste-to-energy plant in Tokyo's Nerima ward.
- Orders received for upgrading waste-to-energy plants in the cities of Kawaguchi and Higashi Murayama.
- JFE Engineering exhibits products at Eco-Products 2010.
- JFE Engineering India Private Limited established in Mumbai, India.
- Exhibition of quick charger at EV Japan show.
- Kawasaki city classifies JFE Engineering's thermal heat pump plant system as a "Low CO<sub>2</sub> Pilot Brand."
- JFE Engineering opens joint office with Tsukishima Kikai Co., Ltd.





### Anticipating Customers Needs

Conventional shipbuilding has generally centered on the construction of one-off vessels tailored to the particular specifications of each customer. For greater efficiency, however, Universal Shipbuilding uses its extensive experience and research to analyze the specific uses and routes of ships, based on which specifications are developed to satisfy a wide range of needs. The company has already produced several innovative new vessel types, including the Malacca-max VLCC oil tanker with maximum load capacity for the Straits of Malacca, the Setouchi-max 200,000-DWT bulk carrier and the Unimax Ore 300,000-DWT dedicated ore carrier. Going forward, Universal Shipbuilding will continue to introduce highly practical, state-of-the-art vessels that anticipate the ever-changing needs of the market.



HUGO N, Unimax ore carrier delivered in January 2011

## Universal Shipbuilding Corporation

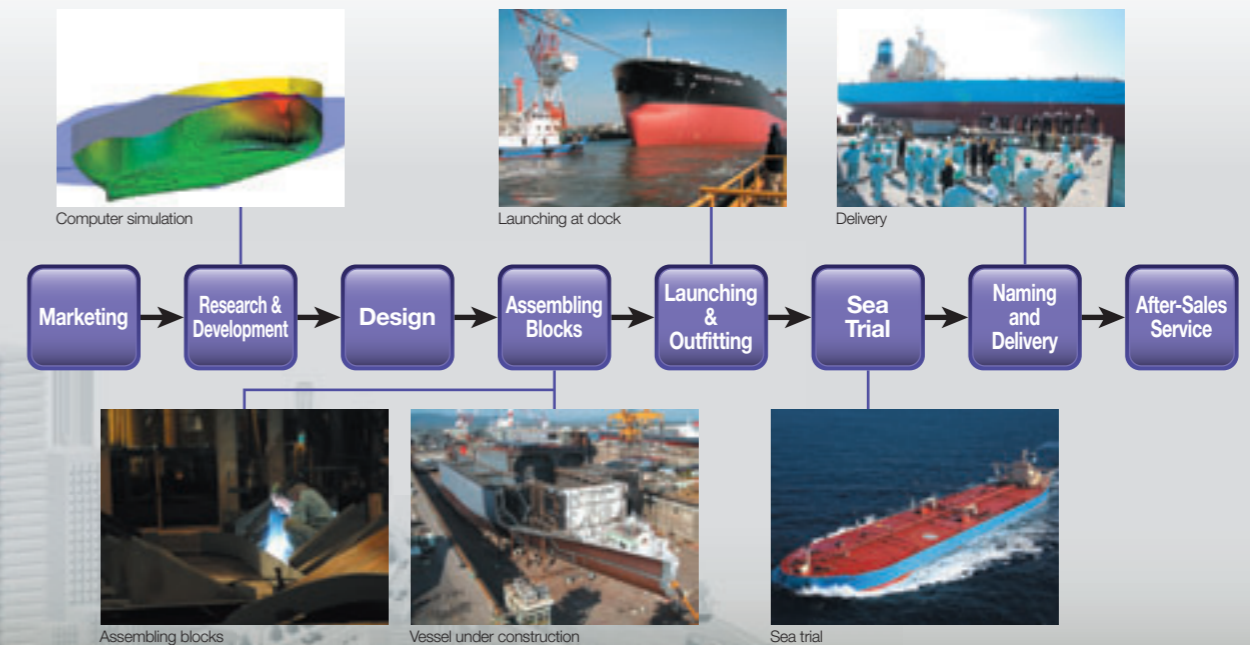
**Our mission is to build ships that meet the diverse requirements of customers worldwide and thereby provide vital support for marine transport and the economic growth of nations, particularly emerging economies.**



Leveraging our superior technical knowhow, we produce high-quality vessels at some of Japan's largest and most productive shipbuilding facilities. We are now placing a special emphasis on the development of next-generation, energy-efficient vessels that offer superior fuel efficiency and environmentally friendly features to help minimize CO<sub>2</sub> emissions due to the increasing movement of cargo by ship.

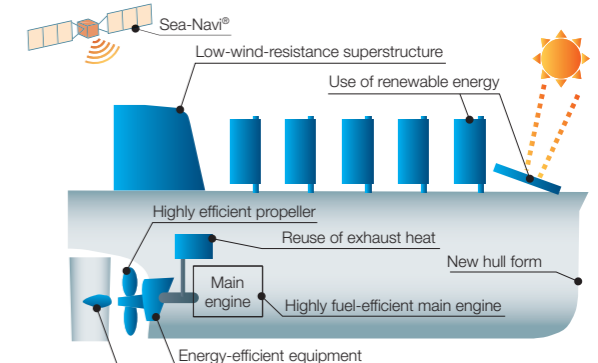
**Shinjiro Mishima** President & CEO

### Shipbuilding Process



### Development of Green Ships

The development of energy-efficient technologies is an integral part of our mission. To date, we have patented a number of environmentally friendly technologies and equipment, including the LEADGE-Bow\*, SSD, Surf-bulb, Sea-Navi® (similar to car navigation systems), low-wind-resistance superstructures and a hybrid electric-generation system. In 2010, we set up the Green Ship Planning Department to develop advanced green ships by refining existing technologies and incorporating renewable-energy systems, as well as coming up with innovative applications of new technologies. By 2020, we aim to be producing next-generation vessels offering 50% less GHG than current vessels.



\* LEADGE-Bow: Acutely streamlined bow to reduce wave resistance and thereby reduce fuel consumption by 2%–6%.





Universal Shipbuilding Corporation

# Highlights 2010



**Products** Icebreaker Shirase named 2009 Ship of the Year

The Japan Society of Naval Architects and Ocean Engineers awarded our icebreaker Shirase with the prestigious title of 2009 Ship of the Year. The society recognized our historical achievements with icebreakers, which include the launch of this new model 25 years after its predecessor, as well as our continuing efforts to introduce new technologies.



**Products**

**Completion of 180-ton AHTSV**

Anchor-handling tug supply vessels (AHTSVs) are designed specially to tow rigs used for drilling platforms in offshore oil fields. Our newest AHTSV offers a robust towing capacity of 180 tons, compared to 150 tons in the previous model.



**Products**

**First FRP minesweeper launched**

Universal Shipbuilding, the only domestic company that builds minesweepers for the Japan Maritime Self-Defense Force, launched the country's first minesweeper made of fiber-reinforced plastic (FRP), which has replaced wood as the main building material in these vessels.

**Products**

**Decontamination system supports disaster relief**

The Japan Ground Self-Defense Force used a decontamination system manufactured by Universal System & Machinery Co., Ltd., a Universal Shipbuilding group company, to support relief efforts in the disaster area following the Great East Japan Earthquake.



**Construction**

**Japan's first ballast water management system installed**

Our new system incorporates technologies we will offer to enable customers to comply with new regulations envisioned as the result of an international convention due to enter into force, which will stipulate stricter procedures for discharging potentially harmful ballast water at loading ports. The system is expected to be installed increasingly in existing ships.



**Research & Development**

**Consecutive building of PSVs commenced**

We launched our ongoing construction of platform supply vessels (PSVs), which are outfitted with wide decks and various tanks for the specific purpose of transporting materials to offshore oil drilling platforms or other offshore structures.



**Construction**

**New painting plants built**

Due to the introduction of more stringent international standards for vessel painting, our shipyards newly invested in their painting works to either upgrade existing plants or build all-new facilities.



APRIL 2010    JUNE    JULY    AUGUST    SEPTEMBER    OCTOBER    NOVEMBER    DECEMBER    JANUARY 2011    FEBRUARY    MARCH

- Green ship planning department set up, and targets halving greenhouse gas emissions by 2020.
- New dormitories and company housing completed in Tsu Shipyard.
- Shirase (built in Maizuru Shipyard) selected 2009 Ship of the year.
- FY2009 business results and performance in-house awards.
- R&D results presentation.
- Participation in Maizuru Port Festival.
- Keihin Shipyard staff and families tour Shirase.
- Procurement Department holds strategy-sharing conference.
- Family festival held.
- Innoshima Shipyard installs Japan's 1st ballast water management system.
- Keihin Shipyard launches Japan's first FRP minesweeper.
- Ariake Family Festa held.
- Welding techniques shared through companywide event.
- Participation in Eco-Products 2010.
- Maizuru Shipyard commences consecutive building of PSVs.
- Keihin Shipyard completes its first 180-ton AHTSV.
- Agreement signed for joint research into nano-emulsion fuel.
- Next-generation-leader presentation
- Decontamination system supports post-earthquake relief efforts.
- New painting plant completed at Ariake Shipyard.



# Contributing to a More Sustainable Society

The JFE Group's environmental policy stipulates a firm commitment to protecting the global environment and a rigorous pursuit of environmentally responsible corporate growth, based on which the company endeavors to meet the expectations of society and earn the confidence of its many stakeholders.

## Customers and Business Partners

The JFE Group strives to deliver products and services of the highest quality to meet the diverse needs of its customers, including strengthened competitiveness. To underpin these efforts, the company acquires and maintains all necessary technical certifications, adopts best-practice management systems and even operates facilities where it collaborates with customers in joint-development activities.



Training session

Customers and Business Partners



## Shareholders and Investors

The JFE Group places priority on the timely and appropriate disclosure of corporate information, making every effort to release information online and publish earnings releases promptly. Plant tours and investor briefings are among other methods employed to facilitate understanding of the Group's business and related activities.



Plant tour for JFE Group shareholders

Shareholders and Investors



## Employees

The JFE Group is dedicated to providing a dynamic working environment for a diverse workforce, which it backs up by actively hiring required new recruits and by maintaining healthy labor-management relations. The Group is an equal-opportunity employer for women and persons with physical disabilities, and encourages respect for human rights. It also stresses occupational safety and the maintenance of a favorable work environment for employees.



Skills being passed on

Employees



## Community Residents

The JFE Group is supporting communities where it operates with a variety of long-term initiatives, such as support for university research and educational events, cultural and social-welfare activities and disaster-related reconstruction.



Manufacturing workshop for kids

Communities



Stakeholders

Societal Progress

JFE Group Corporate Vision

JFE Group Standards of Business Conduct

Environmental Protection

JFE Group Environmental Philosophy

JFE Group Environmental Policy

Global Environment

## JFE Group CSR Report (to be issued in September 2011)

The JFE Group CSR Report provides detailed information about societal and environmental initiatives.

<http://www.jfe-holdings.co.jp/en/environment/>

## Process Enhancement

The JFE Group is reducing its environmental impact in the steel business through process enhancement, such as the recovery of ironmaking and steelmaking byproduct gases and the recapture of waste heat and waste pressure energy. Between FY1973 and FY2010, the JFE Group reduced its energy intensity by 37%, and presently it is ranked among the world's most energy-efficient steel producers.



Super SINTER™ line

## Products and Services

The JFE Group works closely with customers in the development stage to be able to supply them with high-performance steel products, which ultimately helps to fuel economic growth and facilitate the realization of low-carbon societies. The JFE Group is making a concerted, ongoing effort to reduce carbon emissions both in its steel manufacturing operations and through the delivery of energy-saving products to end-users.



Oil tanker made with high-strength steel plates

## Communities and Stakeholders

The JFE Group reaches out to communicate with its diverse stakeholders through a variety of channels, including participation in environmental trade exhibitions such as Japan's Eco-Products 2011. Individual business units in the Group remain actively involved with environmental initiatives that are rooted deeply in their respective communities.



Eco-Products 2010



# Members of the Board, Corporate Auditors And Corporate Officers of JFE Holdings



## Members of the Board

<b>Hajime Bada</b>	President & CEO
<b>Eiji Hayashida</b>	Member of the Board
<b>Yoshio Ishikawa</b>	Member of the Board
<b>Sumiyuki Kishimoto</b>	Member of the Board
<b>Akimitsu Ashida*</b>	Member of the Board
<b>Masafumi Maeda*</b>	Member of the Board

\* External

## Corporate Auditors

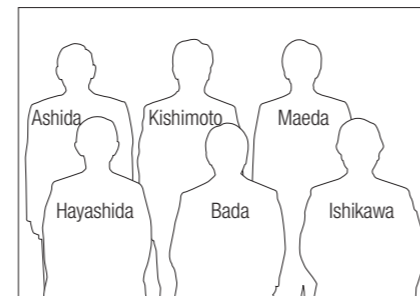
<b>Toshikuni Yamazaki</b>	Full-time Auditor
<b>Kunio Akita</b>	Full-time Auditor
<b>Hiroyuki Itami*</b>	Corporate Auditor
<b>Seiji Sugiyama*</b>	Corporate Auditor

\* External

## Corporate Officers

<b>Hajime Bada</b> President & CEO	CEO
<b>Yoshio Ishikawa</b> Executive Vice President	Supervision of the General Administration Dept., the Corporate Planning Dept., Finance, Investor Relations Dept., and the Comptrollers' Dept.
<b>Shinichi Okada</b> Senior Vice President	In charge of the Corporate Planning Dept. and Finance and Investor Relations Dept.
<b>Yasushi Yamamura</b> Vice President	In charge of the General Administration Dept. and the Comptrollers' Dept.

## Members of the Board



# Profile of the JFE Group

## Company Profile

As of March 31, 2011

<b>Company Name:</b> (Trade Name)	<b>JFE Holdings, Inc.</b>	<b>Date of Establishment:</b>	September 27, 2002
<b>Head Office Address:</b>	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011	<b>Paid-in Capital:</b>	¥147.1 billion
<b>Phone:</b>	+81-3-3597-4321 (Main)	<b>URL:</b>	http://www.jfe-holdings.co.jp/en/

## Operating Companies/Main Group Companies

As of March 31, 2011

**Steel Business** Net sales (Fiscal year ended March 31, 2011): 2,747.4 billion yen Employees: 42,923  
**JFE Steel Corporation** Head Office (Chiyoda-ku, Tokyo)

### Group companies

#### Electric Furnaces and Bar/Shape Steel

- JFE Bars & Shapes Corporation
- Daiwa Steel Corporation
- Tohoku Steel Corporation
- Toyohira Steel Corporation

#### Manufacture and Sale of Processed Steel Products, Raw Materials, etc.

- JFE Chemical Corporation
- JFE Metal Products & Engineering Inc.
- JFE Galvanizing & Coating Co., Ltd.
- JFE Container Co., Ltd.
- JFE Mineral Company, Ltd.
- JFE Steel Pipe Co., Ltd.
- Mizushima Ferroalloy Co., Ltd.
- JFE Pipe Fitting Mfg. Co., Ltd.
- JFE Kozai Corporation
- JFE Material Co., Ltd.
- JFE Precision Co., Ltd.
- River Steel Co., Ltd.
- JFE Electrical Steel Co., Ltd.
- Philippine Sinter Corporation\*
- Thai Coated Steel Sheet Co., Ltd.\*
- Shinagawa Refractories Co., Ltd.\*
- Nippon Chuzo K.K.\*
- Nippon Chutetsukan K.K.\*
- Dongkuk Steel Mill Co., Ltd.\*
- Guangzhou JFE Steel Sheet Company Ltd.\*
- Thai Cold Rolled Steel Sheet Public Co., Ltd.\*
- California Steel Industries, Inc.\*

#### Logistics & Warehousing, Facility Maintenance & Construction and Utilities Supply

- JFE Logistics Corporation
- JFE Civil Engineering & Construction Corp.
- JFE Mechanical Co., Ltd.
- JFE Electrical & Control Systems, Inc.
- Setouchi Joint Thermal Power Co., Ltd.\*
- K.K. JFE Sanso Center\*

#### Trading and Other Steel-related Businesses

- JFE Life Corporation
- JFE Systems, Inc.
- JFE Techno-Research Corporation
- JFE Steel Australia Resources Pty Ltd.
- Brazil Japan Iron Ore Corporation\*
- JFE Shoji Holdings, Inc.\*
- Gecoss Corporation\*
- Exa Corporation\*

## Engineering Business

Net sales (Fiscal year ended March 31, 2011): 265.1 billion yen Employees: 7,334

**JFE Engineering Corporation** Head Office (Chiyoda-ku, Tokyo) Yokohama Head Office (Yokohama)

### Group companies

- JFE Kankyo Corporation
- JFE Environmental Service Corporation
- JFE Technos Corporation
- Asuka Soken Co., Ltd.
- Japan Tunnel Systems Corporation\*
- Takeei Co., Ltd.\*
- JP Steel Plantech Co.\*
- NKKTUBES\*

## Shipbuilding Business

Net sales (Fiscal year ended March 31, 2011): 210.8 billion yen Employees: 3,659

**Universal Shipbuilding Corporation** Head Office (Kawasaki)

### Group companies

- Universal System & Machinery Co., Ltd.
- Universal Marine Systems Corporation
- Ariake Engineering Company

## LSI Business

Net sales (Fiscal year ended March 31, 2011): 24.1 billion yen Employees: 423

**KAWASAKI MICROELECTRONICS, INC.** Head Office (Chiba)

### Group companies

- Kawasaki Microelectronics America, Inc.

Note: JFE Urban Development was merged into JFE Steel Corporation in April 2011.

\*Equity-method affiliates



## Financial Information

Five-year Financial Summary .....	50
Consolidated Balance Sheets .....	51
Consolidated Statements of Income .....	53
Consolidated Statement of Comprehensive Income .....	54
Consolidated Statements of Changes in Net Assets .....	55
Consolidated Statements of Cash Flows .....	58
Notes to Consolidated Financial Statements .....	59
Report of Independent Auditors .....	76

Note: Fiscal year (FY) 2010 in the following pages refers to the period beginning April 1, 2010 and ending March 31, 2011.

## Five-year Financial Summary

JFE Holdings, Inc. and Consolidated Subsidiaries

	Million yen				
	FY2010	FY2009	FY2008	FY2007	FY2006
<b>Operating results (for the year)</b>					
Net sales	¥ 3,195,560	¥ 2,844,356	¥ 3,908,282	¥ 3,539,802	¥ 3,260,447
Operating income	182,810	88,775	407,806	510,518	503,938
Ordinary income before interest and discount expenses *1	182,268	88,752	423,068	520,996	528,918
Ordinary income	165,805	69,289	400,562	502,974	513,520
Net income	58,608	45,659	194,229	261,845	299,683
Comprehensive income	29,086	—	—	—	—
<b>Cash flows (for the year)</b>					
Cash flows from operating activities	302,603	389,548	243,712	438,257	417,645
Cash flows from investing activities	(302,282)	(236,725)	(350,136)	(297,209)	(292,750)
Free cash flows *2	320	152,822	(106,424)	141,048	124,895
Cash flows from financing activities	23,073	(321,617)	260,065	(125,473)	(113,304)
<b>Financial position (at the year end)</b>					
Total assets	3,976,644	3,918,317	4,328,901	4,170,080	3,872,142
Property, plant and equipment, net	1,712,318	1,800,170	1,843,232	1,843,483	1,816,514
Net assets	1,478,310	1,465,898	1,378,041	1,541,680	1,539,621
Debt outstanding	1,496,413	1,468,472	1,768,747	1,281,936	1,180,532
<b>Capital investment and others</b>					
Capital investment	180,492	225,268	289,582	223,644	193,596
Depreciation and amortization	246,666	248,374	247,774	220,459	176,794
R&D expenses	33,523	36,082	41,938	39,483	38,149
Crude steel output (thousand tons)	31,472	28,352	29,280	34,273	32,828
Employees	54,400	53,892	56,547	56,688	53,610
<b>Ratio</b>					
Return on sales (ROS) *3	5.2%	2.4%	10.2%	14.2%	15.8%
Return on assets (ROA) *4	4.6%	2.2%	10.0%	13.0%	14.1%
Return on equity (ROE) *5	4.1%	3.3%	13.7%	17.5%	21.3%
Equity capital ratio	36.2%	36.3%	30.9%	35.9%	38.8%
Debt-to-equity ratio *6	104.1%	103.2%	132.4%	85.7%	78.6%
Debt-to-equity ratio *7	76.5%	75.5%	98.9%	61.4%	—
Yen					
<b>Per share data</b>					
Net income	¥ 110.73	¥ 86.35	¥ 355.64	¥ 450.58	¥ 513.58
Net assets	2,708.51	2,689.88	2,526.26	2,619.11	2,548.09
Cash dividends	35.00	20.00	90.00	120.00	120.00

Notes: \*1 Ordinary income before interest and discount expenses = Ordinary income + interest and discount expenses

\*2 Free cash flows = Cash flows from operating activities + cash flows from investing activities

\*3 Return on sales (ROS) = Ordinary income/net sales × 100

\*4 Return on assets (ROA) = (Ordinary income+interest and discount expenses)/total assets×100

\*5 Return on equity (ROE) = Net income/total shareholders' equity × 100

\*6 Debt-to-equity ratio = Debt outstanding/total shareholders' equity × 100

\*7 Debt-to-equity ratio in the rating of hybrid bonds having a capital component (unsecured share-warrant convertible bonds with a subordinate purchase option issued in March 2008), with 75% of the 300 billion yen issue price deemed to be capital, as assessed by rating agencies.



# Consolidated Balance Sheets

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2010	FY2009	FY2010
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 4 and 12)	¥ 49,591	¥ 31,334	\$ 596,404
Notes and accounts receivable (Note 12)	547,922	497,500	6,589,561
Allowance for doubtful accounts	(398)	(894)	(4,786)
Merchandise and finished goods	254,612	233,485	3,062,080
Work in process	52,589	64,695	632,459
Raw materials and supplies	359,321	326,276	4,321,358
Deferred tax assets (Note 15)	43,996	61,065	529,116
Other current assets (Note 7)	93,757	117,429	1,127,564
<b>Total current assets</b>	<b>1,401,391</b>	<b>1,330,893</b>	<b>16,853,770</b>
<b>Property, plant and equipment (Note 7):</b>			
Land (Note 8)	520,408	528,056	6,258,665
Buildings and structures	1,658,903	1,652,553	19,950,727
Machinery and equipment	5,411,660	5,320,938	65,083,102
Construction in progress	71,499	100,848	859,879
Subtotal	7,662,471	7,602,395	92,152,387
Accumulated depreciation	(5,950,153)	(5,802,225)	(71,559,266)
<b>Property, plant and equipment, net</b>	<b>1,712,318</b>	<b>1,800,170</b>	<b>20,593,120</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 12)	273,109	243,350	3,284,533
Investments in securities (Notes 5, 7 and 12)	381,688	321,702	4,590,354
Allowance for doubtful accounts	(5,647)	(5,964)	(67,913)
Deferred tax assets (Note 15)	64,064	50,034	770,463
Other assets (Note 7)	149,720	178,129	1,800,601
<b>Total investments and other assets</b>	<b>862,934</b>	<b>787,253</b>	<b>10,378,039</b>
<b>Total assets</b>	<b>¥ 3,976,644</b>	<b>¥ 3,918,317</b>	<b>\$ 47,824,942</b>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2010	FY2009	FY2010
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 12)	¥ 8,382	¥ 7,592	\$ 100,805
Current portion of long-term debt (Notes 6 and 12)	281,269	196,209	3,382,669
Commercial paper (Note 12)	27,994	13,997	336,668
Notes and accounts payable (Note 12)	353,865	344,336	4,255,742
Other current liabilities	368,163	368,870	4,427,696
<b>Total current liabilities</b>	<b>1,039,675</b>	<b>931,006</b>	<b>12,503,607</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 12)	1,178,766	1,250,673	14,176,380
Accrued retirement benefits (Note 9)	127,605	135,086	1,534,636
Reserve for rebuilding furnaces	35,420	34,134	425,977
Deferred tax liabilities (Notes 8 and 15)	21,098	20,552	253,734
Allowance for losses on specific waste disposal business	35,572	39,519	427,805
Other long-term liabilities	60,194	41,444	723,920
<b>Total long-term liabilities</b>	<b>1,458,658</b>	<b>1,521,411</b>	<b>17,542,489</b>
<b>Total liabilities</b>	<b>2,498,334</b>	<b>2,452,418</b>	<b>30,046,109</b>
<b>Contingencies (Note 10)</b>			
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2011			
614,438,399 shares as of March 31, 2010	147,143	147,143	1,769,609
Capital surplus	651,964	657,258	7,840,817
Retained earnings	1,081,697	1,039,399	13,008,983
Treasury stock, at cost:			
83,667,772 shares as of March 31, 2011			
85,698,154 shares as of March 31, 2010	(415,890)	(426,602)	(5,001,683)
<b>Total shareholders' equity</b>	<b>1,464,913</b>	<b>1,417,198</b>	<b>17,617,714</b>
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains and losses on securities	7,878	33,392	94,744
Net unrealized gains and losses on hedges	29	(52)	348
Revaluation reserve for land, net of tax (Note 8)	12,097	12,004	145,484
Translation adjustments	(47,324)	(40,292)	(569,140)
<b>Total accumulated other comprehensive income</b>	<b>(27,318)</b>	<b>5,051</b>	<b>(328,538)</b>
Minority interests (Note 8)	40,715	43,648	489,657
<b>Total net assets</b>	<b>1,478,310</b>	<b>1,465,898</b>	<b>17,778,833</b>
<b>Total liabilities and net assets</b>	<b>¥ 3,976,644</b>	<b>¥ 3,918,317</b>	<b>\$ 47,824,942</b>



# Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2010	FY2009	FY2010
Net sales	¥ 3,195,560	¥ 2,844,356	\$ 38,431,268
Cost of sales	2,765,721	2,505,746	33,261,828
Gross profit	429,838	338,610	5,169,428
Selling, general and administrative expenses	247,028	249,835	2,970,871
Operating income	182,810	88,775	2,198,556
Non-operating income (expenses):			
Interest income	837	619	10,066
Interest expense	(16,463)	(19,463)	(197,991)
Dividends received	5,933	6,699	71,352
Equity in earnings of affiliates	16,312	6,442	196,175
Other, net	(23,625)	(13,783)	(284,125)
Ordinary income	165,805	69,289	1,994,046
Extraordinary profit (loss) (Note 19)	(50,537)	1,664	(607,781)
Income before income taxes and minority interests	115,267	70,952	1,386,253
Income taxes (Note 15):			
Current	32,060	17,015	385,568
Deferred	21,349	4,404	256,752
	53,410	21,419	642,333
Income before minority interests	61,856	49,532	743,908
Minority interests	(3,247)	(3,873)	(39,049)
Net income	¥ 58,608	¥ 45,659	\$ 704,846

	Yen		U.S. dollars (Note 1)
	FY2010	FY2009	FY2010
Basic net income per share	¥ 110.73	¥ 86.35	\$ 1.33
Diluted net income per share	109.68	86.26	1.31
Cash dividends per share	35.00	20.00	0.42

The accompanying notes are an integral part of these statements.

# Consolidated Statement of Comprehensive Income

JFE Holdings, Inc. and Subsidiaries  
Year ended March 31, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2010	FY2010	FY2010
Income before minority interests	¥ 61,856		\$ 743,908
Other comprehensive income (Note 16):			
Net unrealized gains and losses on securities	(25,057)		(301,346)
Net unrealized gains and losses on hedges	103		1,238
Translation adjustments	(7,295)		(87,733)
Share of other comprehensive income of affiliates accounted for using equity method	(522)		(6,277)
Total other comprehensive income	(32,770)		(394,107)
Comprehensive income (Note 16)	¥ 29,086		\$ 349,801
Total comprehensive income attributable to (Note 16):			
Shareholders of the parent	¥ 26,145		\$ 314,431
Minority interests	2,940		35,357



# Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 31, 2009</b>	<b>¥ 147,143</b>	<b>¥ 657,387</b>	<b>¥ 1,005,066</b>	<b>¥ (426,649)</b>	<b>¥ 1,382,947</b>
Cash dividends			(15,876)		(15,876)
Net income			45,659		45,659
Acquisition of treasury stock				(323)	(323)
Disposal of treasury stock		(128)		370	241
Change of scope of consolidation			1,798		1,798
Transfer from land revaluation account			2,750		2,750
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(128)	34,332	46	34,250
<b>Balance at March 31, 2010</b>	<b>¥ 147,143</b>	<b>¥ 657,258</b>	<b>¥ 1,039,399</b>	<b>¥ (426,602)</b>	<b>¥ 1,417,198</b>
Cash dividends			(21,165)		(21,165)
Net income			58,608		58,608
Acquisition of treasury stock				(797)	(797)
Disposal of treasury stock		(5,294)		11,509	6,215
Increase by change of scope of consolidation			5,345		5,345
Decrease by change of scope of consolidation			(398)		(398)
Transfer from land revaluation account			(92)		(92)
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(5,294)	42,297	10,712	47,715
<b>Balance at March 31, 2011</b>	<b>¥ 147,143</b>	<b>¥ 651,964</b>	<b>¥ 1,081,697</b>	<b>¥ (415,890)</b>	<b>¥ 1,464,913</b>

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance at March 31, 2009</b>	<b>¥ (12,575)</b>	<b>¥ (1,221)</b>	<b>¥ 14,755</b>	<b>¥ (48,010)</b>	<b>¥ (47,052)</b>	<b>¥ 42,415</b>	<b>¥ 1,378,041</b>
Cash dividends							(15,876)
Net income							45,659
Acquisition of treasury stock							(323)
Disposal of treasury stock							241
Change of scope of consolidation							1,798
Transfer from land revaluation account							2,750
Net changes in items other than shareholders' equity	45,968	1,168	(2,750)	7,718	52,104	1,502	53,606
Total changes in items during the year	45,968	1,168	(2,750)	7,718	52,104	1,502	87,857
<b>Balance at March 31, 2010</b>	<b>¥ 33,392</b>	<b>¥ (52)</b>	<b>¥ 12,004</b>	<b>¥ (40,292)</b>	<b>¥ 5,051</b>	<b>¥ 43,648</b>	<b>¥ 1,465,898</b>
Cash dividends							(21,165)
Net income							58,608
Acquisition of treasury stock							(797)
Disposal of treasury stock							6,215
Increase by change of scope of consolidation							5,345
Decrease by change of scope of consolidation							(398)
Transfer from land revaluation account							(92)
Net changes in items other than shareholders' equity	(25,514)	82	92	(7,031)	(32,370)	(2,933)	(35,303)
Total changes in items during the year	(25,514)	82	92	(7,031)	(32,370)	(2,933)	12,411
<b>Balance at March 31, 2011</b>	<b>¥ 7,878</b>	<b>¥ 29</b>	<b>¥ 12,097</b>	<b>¥ (47,324)</b>	<b>¥ (27,318)</b>	<b>¥ 40,715</b>	<b>¥ 1,478,310</b>



	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 31, 2010</b>	<b>\$ 1,769,609</b>	<b>\$ 7,904,485</b>	<b>\$ 12,500,288</b>	<b>\$ (5,130,511)</b>	<b>\$ 17,043,872</b>
Cash dividends			(254,539)		(254,539)
Net income			704,846		704,846
Acquisition of treasury stock				(9,585)	(9,585)
Disposal of treasury stock		(63,668)		138,412	74,744
Increase by change of scope of consolidation			64,281		64,281
Decrease by change of scope of consolidation			(4,786)		(4,786)
Transfer from land revaluation account			(1,106)		(1,106)
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(63,668)	508,683	128,827	573,842
<b>Balance at March 31, 2011</b>	<b>\$ 1,769,609</b>	<b>\$ 7,840,817</b>	<b>\$ 13,008,983</b>	<b>\$ (5,001,683)</b>	<b>\$ 17,617,714</b>

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance at March 31, 2010</b>	<b>\$ 401,587</b>	<b>\$ (625)</b>	<b>\$ 144,365</b>	<b>\$ (484,570)</b>	<b>\$ 60,745</b>	<b>\$ 524,930</b>	<b>\$ 17,629,561</b>
Cash dividends							(254,539)
Net income							704,846
Acquisition of treasury stock							(9,585)
Disposal of treasury stock							74,744
Increase by change of scope of consolidation							64,281
Decrease by change of scope of consolidation							(4,786)
Transfer from land revaluation account							(1,106)
Net changes in items other than shareholders' equity	(306,843)	986	1,106	(84,558)	(389,296)	(35,273)	(424,570)
Total changes in items during the year	(306,843)	986	1,106	(84,558)	(389,296)	(35,273)	149,260
<b>Balance at March 31, 2011</b>	<b>\$ 94,744</b>	<b>\$ 348</b>	<b>\$ 145,484</b>	<b>\$ (569,140)</b>	<b>\$ (328,538)</b>	<b>\$ 489,657</b>	<b>\$ 17,778,833</b>

## Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2010	FY2009	FY2010
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 115,267	¥ 70,952	\$ 1,386,253
Adjustments for:			
Depreciation and amortization	246,666	248,374	2,966,518
Decrease in reserves	6,305	(48,903)	75,826
Interest and dividend income	(6,770)	(7,318)	(81,419)
Interest expense	16,463	19,463	197,991
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(74,259)	(13,739)	(893,072)
Changes in inventories	(42,275)	200,622	(508,418)
Changes in notes and accounts payable	(9,212)	6,974	(110,787)
Other, net	30,729	21,444	369,561
Subtotal	282,913	497,870	3,402,441
Interest and dividend income received	12,746	11,305	153,289
Interest paid	(16,858)	(20,567)	(202,742)
Income taxes paid	23,801	(99,059)	286,241
<b>Net cash provided by operating activities</b>	<b>302,603</b>	<b>389,548</b>	<b>3,639,242</b>
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(186,618)	(233,441)	(2,244,353)
Proceeds from sales of property, plant and equipment	11,398	8,628	137,077
Payments for purchases of investments in securities	(130,303)	(52,452)	(1,567,083)
Proceeds from sales of investments in securities	999	7,561	12,014
Other, net	2,240	32,978	26,939
<b>Net cash used in investing activities</b>	<b>(302,282)</b>	<b>(236,725)</b>	<b>(3,635,381)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings, net	15,034	(159,588)	180,805
Increase in long-term debt	210,850	91,367	2,535,778
Repayments of long-term debt	(198,442)	(228,988)	(2,386,554)
Payments for purchases of treasury stock	(779)	(287)	(9,368)
Payments for dividends by parent company	(21,324)	(16,183)	(256,452)
Other, net	17,734	(7,937)	213,277
<b>Net cash provided by (used in) financing activities</b>	<b>23,073</b>	<b>(321,617)</b>	<b>277,486</b>
Effect of exchange rate change on cash and cash equivalents	(7,024)	(5,436)	(84,473)
Net increase (decrease) in cash and cash equivalents	16,369	(174,231)	196,861
Cash and cash equivalents at beginning of the year	32,342	206,605	388,959
Increase (decrease) in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	332	(32)	3,992
Cash and cash equivalents at end of the year (Note 4)	¥ 49,043	¥ 32,342	\$ 589,813

The accompanying notes are an integral part of these statements.



# Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 1. Basis of Presentation

The accompanying consolidated financial statements of JFE Holdings, Inc. (the "Company" hereinafter) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company's overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The notes to the consolidated financial statements include information that is not required under the Japanese GAAP but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the 2011 presentation.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2011, which was ¥83.15 to US\$1.00. These convenient translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation Principles

The consolidated financial statements include the accounts of the Company's 195 domestic and foreign subsidiaries (the "Group" as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

44 affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

### (b) Translation of Foreign Currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made, and assets and liabilities are translated into Japanese yen at the exchange rates in effect on the respective balance sheet date.

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates as

of the balance sheet dates except for shareholders' equity, which is translated at historical rates. Differences arising from such translation are shown as "translation adjustments" in a separate component of net assets in the balance sheet.

### (c) Valuation of Securities

Available-for-sale Securities

#### Marketable:

Valued primarily at market based on an average of the market prices for a period of one month prior to the settlement date. (Valuation differences are recorded as net unrealized gains and losses on securities, net of tax, in net assets in balance sheet by the direct capitalization method, with the costs of sales calculated primarily by the moving average method.)

#### Non-marketable:

Valued primarily at cost by the moving average method.

### (d) Valuation of Inventories

Prior to April 1, 2010, inventories were stated at cost determined by the last-in first out (LIFO) method. These inventories with lower profitability are written down to their net realizable value.

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No.9 (revised 2008), issued on September 26, 2008) has been applied and changed inventory valuation method from the LIFO method to the weighted average method. The effect of this change was to increase operating income, ordinary income and income before income taxes and minority interests by ¥2,933 million (\$35,273 thousand), compared to the previous method.

### (e) Depreciation Method for Property, Plant and Equipment (except for leased assets)

Depreciation is calculated primarily by the declining balance method.

### (f) Intangible Assets (except for leased assets)

Amortization of intangible assets is calculated primarily by the straight-line method.

Amortization of the software for internal use is computed by the straight-line method based on the estimated useful lives (5 years).

### (g) Bond Issuance Costs

Bond issuance costs are amortized using straight-line method over the period up to redemption (immaterial costs are expensed as incurred).

### (h) Allowance for Doubtful Accounts

The projected uncollectible amount is provided as the allowance using historical default rates in the past for ordinary credits and individual collectability assessments for credits deemed to have high likelihood of default and for other specific credits.

### (i) Allowance for Losses on Construction Projects

Allowance for losses on construction projects is provided for estimated future losses related to current construction contracts.

### (j) Accrued Retirement Benefits

Accrued retirement benefits are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the fiscal period.

Prior service cost is amortized in projected average years of service of the employees.

Actuarial losses are amortized in projected average years of service of the employees from the following fiscal year after the year in which they occurred.

Effective from the fiscal year beginning April 1, 2009, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, issued by the ASBJ on July 31, 2008) was applied. There was no difference of retirement benefit obligation resulting from the application of this standard at March 31, 2010.

### (k) Reserve for Rebuilding Furnaces

The estimated cost of the next repair is allocated to the reserves in equal amounts over the year to the next repair.

### (l) Allowance for Losses on Specific Waste Disposal Business

Allowance for losses on specific waste disposal business is provided based on the estimated amount sufficient to cover probable loss that will be incurred in the following fiscal years.

### (m) Leases

Leased assets under finance leases that do not transfer ownership to the lessees, which were entered into on or after April 1, 2008, are capitalized and depreciated to residual value of zero using the straight-line method with useful life defined by the terms of the contract. However, leased assets under finance lease transactions in which ownership is not transferred to the lessees, which were entered into prior to April 1, 2008, and previously accounted for as operating lease transactions are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements.

### (n) Revenue Recognition for Long-Term Construction-Type Contracts

Previously, the percentage-of-completion method was used for recognizing revenues of long-term construction-type contracts for Engineering business, (over 1-year duration and ¥100 million or more) and for Shipbuilding business (over 1-year duration and ¥1 billion or more). For other construction-type contracts, the completed-contract method was used for recognizing revenues of construction contracts.

Effective from the fiscal year beginning April 1, 2009, the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) were applied. Under the new standard and guidance, the percentage-of-completion method (cost-comparison method to estimate of the percentage of completion) is applied for construction contracts, which commenced in the year ended March 31, 2010, if the percentage of completion can be reliably estimated. For contracts where the percentage of completion cannot be reliably estimated, the completed-contract method is applied. As a result, for the year ended March 31, 2010, net sales increased by ¥103,020 million, operating income, ordinary income and income before income taxes and minority interests increased by ¥17,581 million, respectively.

### (o) Consolidated Tax Return

The Company files a consolidated tax return with certain domestic subsidiaries.

### (p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Net income used in the computation was ¥58,608 million (\$704,846 thousand) and ¥45,659 million, the average number of shares used in the computation was 529,298 thousand and 528,745 thousand for the years ended March 31, 2011 and 2010, respectively.

Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective year.

## 3. Changes in Accounting Policies and Adoption of New Accounting Standards

### (a) Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obli-



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

gations" (ASBJ Guidance No. 21, issued on March 31, 2008) have been applied.

The effect of this change was to decrease operating income by ¥86 million (\$1,034 thousand), ordinary income by ¥173 million (\$2,080 thousand) and income before income taxes and minority interests by ¥5,479 million (\$65,892 thousand) for the fiscal year ended March 31, 2011, respectively, compared to the previous method.

**(b) Equity Method of Accounting for Investments**

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force No. 24, issued on March 10, 2008) have been applied.

There was no effect of this change on ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2011.

**(c) Business Combination**

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), the "Ac-

counting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (revised 2008), issued on December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (revised 2008), issued on December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (revised 2008), issued on December 26, 2008), have been applied.

**(d) Presentation of comprehensive income**

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010) has been applied.

The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of March 31, 2010 represent the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

**4. Cash and Cash Equivalents**

Cash and cash equivalents at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Cash and deposits	¥ 49,591	¥ 31,334	\$ 596,404
Time deposits with a maturity of more than three months	(547)	(280)	(6,578)
Securities included in other current assets	—	1,288	—
	¥ 49,043	¥ 32,342	\$ 589,813

**5. Securities**

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2011 and 2010:

Marketable:

	Millions of yen					
	Held-to-maturity securities					
	FY2010			FY2009		
Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	
Book value lower than estimated fair value:						
Bonds	¥199	¥203	¥3	¥199	¥203	¥3
Book value exceeding estimated fair value:						
Bonds	—	—	—	—	—	—
Total	¥199	¥203	¥3	¥199	¥203	¥3

	Millions of yen					
	Available-for-sale securities					
	FY2010			FY2009		
Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)	
Cost lower than book value:						
Equity securities	¥181,585	¥ 99,105	¥ 82,480	¥185,110	¥100,750	¥ 84,359
Bonds	20	19	0	36	35	1
Sub total	181,606	99,125	82,481	185,146	100,785	84,360
Cost exceeding book value:						
Equity securities	159,854	223,653	(63,798)	104,342	128,740	(24,397)
Bonds	—	—	—	—	—	—
Sub total	159,854	223,653	(63,798)	104,342	128,740	(24,397)
Total	¥341,461	¥322,779	¥ 18,682	¥289,489	¥229,526	¥ 59,963

	Thousands of U.S. dollars		
	Held-to-maturity securities		
	FY2010		
Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	
Book value lower than estimated fair value:			
Bonds	\$2,393	\$2,441	\$36
Book value exceeding estimated fair value:			
Bonds	—	—	—
Total	\$2,393	\$2,441	\$36

	Thousands of U.S. dollars		
	Available-for-sale securities		
	FY2010		
Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)	
Cost lower than book value:			
Equity securities	\$2,183,824	\$1,191,882	\$991,942
Bonds	240	228	0
Sub total	2,184,076	1,192,122	991,954
Cost exceeding book value:			
Equity securities	1,922,477	2,689,753	(767,263)
Bonds	—	—	—
Sub total	1,922,477	2,689,753	(767,263)
Total	\$4,106,566	\$3,881,888	\$224,678

The impairment losses on available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥4,787 million (\$57,570 thousand) and ¥182 million, respectively.



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 6. Long-term Debt

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
1.00% yen bonds, due July 2010	¥ —	¥ 20,000	\$ —
0.64% yen bonds, due July 2010	—	30,000	—
0.98% yen bonds, due November 2010	—	20,000	—
1.44% yen bonds, due October 2011	20,000	20,000	240,529
1.33% yen bonds, due April 2012	19,998	19,997	240,505
1.33% yen bonds, due November 2012	29,999	29,998	360,781
First issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement) (Note 1)	300,000	300,000	3,607,937
1.29% yen bonds, due June 2011	40,000	40,000	481,058
1.278% yen bonds, due September 2013	40,000	40,000	481,058
1.351% yen bonds, due September 2015	20,000	20,000	240,529
0.927% yen bonds, due July 2014	40,000	40,000	481,058
0.708% yen bonds, due March 2015	40,000	40,000	481,058
0.572% yen bonds, due May 2015	60,000	—	721,587
0.858% yen bonds, due May 2017	20,000	—	240,529
3.50% yen bonds (issued by JFE Steel), due May 2012	20,000	20,000	240,529
Loans, principally from banks and insurance companies, due 2011-2029:	810,038	806,886	9,741,888
Less current portion	(281,269)	(196,209)	(3,382,669)
Total long-term debt	¥1,178,766	¥1,250,673	\$14,176,380

Note 1:  
Details of convertible bonds are as follows:

- Type of shares  
Common stock
- Issue value of stock acquisition rights  
Non-assessable
- Conversion price  
¥8,530 per Share
- Total principal amount issued  
¥300,000 million

- Total principal amount issued of new shares by exercise of rights  
No exercise
- The rate of granting of stock acquisition rights  
100%
- Stock Acquisition Right exercise period  
Stock Acquisition Rights may be exercised at any time from March 17, 2008 to the close of banking operations (local time of the party exercising) on July 22, 2013 (or the first banking day prior to redemption in the event of accelerated redemption of the Bond).

## 7. Pledged Assets

At March 31, 2011 and 2010 pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Property, plant and equipment	¥66,283	¥69,944	\$797,149
Investments in securities	4,919	5,645	59,158
Other assets	133	164	1,599

The Company sets pledges as collateral on the consolidated subsidiaries' short-term loans receivable from the Company related to warranty for equipment performance (book value of ¥10,200 million [\$122,669 thousand] and ¥10,900 million on the financial statements of individual consolidated subsidiaries at March 31, 2011 and 2010, respectively).

The Company sets pledges for consolidated subsidiary shares (book value of ¥325 on the financial statements of individual consolidated subsidiaries at March 31, 2010).

## 8. Revaluation of Land for Business

In the years ended March 31, 2001 and 2002, part of the subsidiaries and affiliates revaluated the land for business purposes based on the Law Concerning Revaluation of Land and its amendment issued on March 31, 2001 and 2002, respectively. Revaluation differences, net of the portion charged to "deferred tax liabilities" and "minority interests," were recorded as "revaluation reserve for land, net of tax" in net assets.

The fair value of these lands is lower than the revaluated book-value, and the difference was ¥16,495 million (\$198,376 thousand) and ¥15,791 million on March 31, 2011 and 2010, respectively.

## 9. Accrued Retirement Benefits

The following tables set forth the changes in the benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Retirement benefit obligation	¥ (404,345)	¥ (436,352)	\$ (4,862,838)
Fair value of plan assets	255,343	280,135	3,070,871
Unfunded retirement benefit obligation	(149,002)	(156,216)	(1,791,966)
Unrecognized net retirement benefit obligation at transition	118	149	1,419
Unrecognized actuarial losses	51,207	55,503	615,838
Unrecognized prior service cost (Note 1)	(2,050)	713	(24,654)
Net amount	(99,726)	(99,851)	(1,199,350)
Prepaid cost	27,878	35,235	335,273
Accrued retirement benefits	¥ (127,605)	¥ (135,086)	\$ (1,534,636)

Note 1:  
JFE Steel Corporation changed its bylaws in accordance with reduction in expected rate of return on plan assets and expected rate of pension benefits as of April 1, 2011. As a result, prior service cost (decrease in liabilities) of ¥(2,228) million (\$26,794 thousand) resulting from the bylaws change is deducted from "Retirement benefit obligation" at March 31, 2011 in the above table.

Retirement and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Service cost (Note 1)	¥16,839	¥16,350	\$ 202,513
Interest cost	6,408	6,857	77,065
Expected return on plan assets	(4,738)	(4,723)	(56,981)
Amortization:			
Net retirement benefit obligation at transition	7	7	84
Actuarial losses	14,750	16,562	177,390
Prior service cost	(930)	(902)	(11,184)
Accrued retirement benefit cost	32,335	34,152	388,875
Other (Note 2)	370	95	4,449
Total	¥32,706	¥34,247	\$ 393,337

Notes:

- Accrued retirement benefit cost incurred by consolidated subsidiaries applying a simplified method to calculate retirement benefit obligation is included under "service cost."
- Premiums on defined contribution plans for certain consolidated subsidiaries.
- Other than the above, the Company and its subsidiaries paid incremental benefits of ¥1,026 million (\$12,339 thousand) and ¥6,024 million for the years ended March 31, 2011 and 2010, respectively.

The rationale for calculations of retirement benefit obligations for the years ended March 31, 2011 and 2010 is as follows:

	FY2010	FY2009
1. Retirement benefit projection amortization method:	Primarily, the straight-line method over the period	Primarily, the straight-line method over the period
2. Discount rate	Primarily 1.5%	Primarily 1.5%
3. Expected return on plan assets:	Primarily 1.7%	Primarily 1.7%
4. Amortization period for prior service cost:	Primarily 10 years (Treated as cost using the straight-line method for a set number of years within the average remaining service period for employees at the time of accrual.)	Primarily 10 years (Treated as cost using the straight-line method for a set number of years within the average remaining service period for employees at the time of accrual.)
5. Amortization period for actuarial losses:	Primarily 10 years (Amortized using the straight-line method over a set number of years within the average remaining service period for the employees during the consolidated fiscal year in which discrepancies were accrued. These amounts are treated as cost posted to the next consolidated fiscal year after the year in which they were accrued.)	Primarily 10 years (Amortized using the straight-line method over a set number of years within the average remaining service period for the employees during the consolidated fiscal year in which discrepancies were accrued. These amounts are treated as cost posted to the next consolidated fiscal year after the year in which they were accrued.)



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 10. Contingencies

At March 31, 2011 and 2010, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Guarantees of debt .....	¥28,439	¥13,317	\$342,020
Trade notes discounted .....	70	70	841
Trade notes endorsed .....	167	291	2,008

At March 31, 2011 and 2010, commitments outstanding for loan commitments were ¥781 million (\$9,392 thousand) and ¥781 million, respectively.

## 11. Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets.

As discussed in Note 2 (m), lease assets under finance leases that do not transfer ownership to lessees are capitalized and depreciated to residual value of zero using the straight-line method with useful life defined by the terms of the contract.

Future minimum lease payments subsequent to March 31, 2011 and 2010 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
<b>2011</b>			
2012 .....	¥1,490		\$17,919
2013 and thereafter .....	4,966		59,723
Total .....	¥6,457		\$77,654
<b>2010</b>			
2011 .....	¥1,591		
2012 and thereafter .....	6,457		
Total .....	¥8,049		

## 12. Financial Instruments

The Group applied the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 (revised 2008), issued by the ASBJ on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, issued by the ASBJ on March 10, 2008) effective from the fiscal year beginning April 1, 2009.

## (1) Overview

## (a) Group policy for financial instruments

The Group raises funds mainly through the bank loans or by commercial paper/ bond issues based on the capital investment plans considering the stability of the fund and financing costs. Temporary surplus of funds are operated only for short-term investments. Derivative transactions are only utilized to hedge the following risks and the Group does not enter into derivative transactions for trading or speculative purpose.

## (b) Types of financial instruments and related risk and risk management

Trade receivables such as notes and accounts receivable are exposed to credit risk. The Group manages this risk by monitoring financial conditions of its customers periodically. Some trade receivables are sold before their maturities.

Trade payables such as notes and accounts payable are due within one year. Some of accounts receivable and accounts payable are denominated in foreign currency and exposed to foreign currency risk. Foreign exchange forward contracts are utilized timely to hedge the net balance of foreign currencies received from export and foreign currencies paid for raw material purchase.

Stocks as investment securities are exposed to market fluctuation risk. Investment securities denominated in foreign currencies are exposed to foreign currency risk. Investment securities mainly consist of securities of companies with which a business relationship has been established and the Group reviews these fair values periodically.

Debts and bonds are managed not to concentrate the maturities considering the liquidity risk. Variable interest rate debts are exposed to interest fluctuation risk. Some of the debts and bonds, which are exposed to interest fluctuation risk, are hedged by the interest rate swap agreements to correspond and to decrease interest payments.

Derivative transactions are exposed to market fluctuation risk of future foreign exchange and interest rate. However, the Group utilizes the derivative transactions to correspond with the actual demands of imports and exports, debts and bonds, and thus the risk is limited to the extent of opportunity loss. The Group enters into derivative transactions only with financial institutions with high credit ratings and thus there is almost no credit risk, which is the risk of default by the counterparties' bankruptcy etc. The Group implemented the internal rules of derivative transactions and transactions are operated based on these rules. Derivative transactions are executed based on the above internal rules, which require getting the approval from the financial operating officer. The balances, fair values and valuation differences are reported to the management meetings periodically. Consolidated subsidiaries operate the derivative transactions based on the internal rules.

## (c) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values, which are reasonably calculated in case that market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in case that different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 13. "Derivatives and Hedging Activities," the contract amount itself does not indicate market risk related to derivative transactions.

## (2) Fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2011 and 2010, fair value and difference are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of yen					
	FY2010			FY2009		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits .....	¥ 49,591	¥ 49,591	¥ —	¥ 31,334	¥ 31,334	¥ —
Notes and accounts receivable .....	547,922	547,922	—	497,500	497,500	—
Investments in unconsolidated subsidiaries and affiliates .....	—	—	—	73,232	69,375	(3,856)
Investments in securities:						
Held-to-maturities .....	199	203	3	199	203	3
Available-for-sale securities .....	341,461	341,461	—	289,489	289,489	—
<b>Total assets</b> .....	<b>¥ 939,174</b>	<b>¥ 939,177</b>	<b>¥ 3</b>	<b>¥ 891,755</b>	<b>¥ 887,903</b>	<b>¥ (3,852)</b>
Notes and accounts payable .....	¥ 353,865	¥ 353,865	¥ —	¥ 344,336	¥ 344,336	¥ —
Short-term borrowings .....	8,382	8,382	—	7,592	7,592	—
Current portion of long-term debt .....	281,269	281,269	—	196,209	196,253	44
Commercial paper .....	27,994	27,994	—	13,997	13,997	—
Long-term debt:						
Bonds .....	289,997	291,637	1,639	269,996	272,232	2,235
Bonds with stock acquisition rights .....	300,000	307,710	7,710	300,000	320,400	20,400
Long-term borrowings .....	588,768	590,531	1,763	680,677	682,443	1,766
<b>Total liabilities</b> .....	<b>¥1,850,279</b>	<b>¥1,861,391</b>	<b>¥ 11,112</b>	<b>¥ 1,812,809</b>	<b>¥1,837,256</b>	<b>¥ 24,446</b>
Derivative transactions *1:						
Hedge accounting not applied .....	¥ (77)	¥ (77)	¥ —	¥ (184)	¥ (184)	¥ —
Hedge accounting applied .....	1,940	1,940	—	1,497	1,497	—
<b>Total derivative transactions</b> .....	<b>¥ 1,863</b>	<b>¥ 1,863</b>	<b>¥ —</b>	<b>¥ 1,312</b>	<b>¥ 1,312</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	FY2010		
	Carrying value	Fair value	Difference
Cash and deposits .....	\$ 596,404	\$ 596,404	\$ —
Notes and accounts receivable .....	6,589,561	6,589,561	—
Investments in unconsolidated subsidiaries and affiliates .....	—	—	—
Investments in securities:			
Held-to-maturities .....	2,393	2,441	36
Available-for-sale securities .....	4,106,566	4,106,566	—
<b>Total assets</b> .....	<b>\$11,294,936</b>	<b>\$11,294,972</b>	<b>\$ 36</b>
Notes and accounts payable .....	\$ 4,255,742	\$ 4,255,742	\$ —
Short-term borrowings .....	100,805	100,805	—
Current portion of long-term debt .....	3,382,669	3,382,669	—
Commercial paper .....	336,668	336,668	—
Long-term debt:			
Bonds .....	3,487,636	3,507,360	19,711
Bonds with stock acquisition rights .....	3,607,937	3,700,661	92,723
Long-term borrowings .....	7,080,793	7,101,996	21,202
<b>Total liabilities</b> .....	<b>\$22,252,303</b>	<b>\$22,385,941</b>	<b>\$133,638</b>
Derivative transactions *1:			
Hedge accounting not applied .....	\$ (926)	\$ (926)	\$ —
Hedge accounting applied .....	23,331	23,331	—
<b>Total derivative transactions</b> .....	<b>\$ 22,405</b>	<b>\$ 22,405</b>	<b>\$ —</b>

\*1 Derivative transactions are presented on a net basis and net liability position is shown in parenthesis.



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## Note 1. Valuation method for financial instruments and information of investments in securities and derivative transactions

## Assets:

## Cash and deposits and Notes and accounts receivables

These are paid in short-term and the fair value approximates carrying value. Some of accounts receivables is subject to the allocation treatment of the foreign exchange forward contracts.

## Securities

Fair value of stocks is based on the quoted price on stock exchanges and that of bonds is based on the quoted price on bond markets or price presented by the counter party financial institutions. Please see Note 4. "Securities" regarding the information of the fair value for the investment in securities by classification.

## Liabilities:

## Notes and accounts payables, Short-term borrowings, Current portion of long-term debt (except for bonds due within one year) and Commercial paper

These are paid in short-term and the fair value approximates the equivalent of carrying value. Some of accounts payables is subject to the allocation treatment of the foreign exchange forward contracts.

## Bonds and bonds due within one year (included in current portion of long-term debt)

Fair value of bonds is based on the quoted market price. Fair value of the bonds subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of bond issues.

## Bond with stock acquisition rights

Bond with stock acquisition rights does not have market value. The fair value is calculated by general pricing models considering exercise period, exercise price, stock price fluctuation rate, residual period and credit risk.

## Long-term borrowings

Fair value of long-term borrowings is estimated by discounting the sum of principals and interests, using the reasonable interest rate applied to the same kind of new borrowings. Fair value of the long-term borrowings subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of long-term debt.

## Derivative transactions

Please see Note 13. "Derivatives and Hedging Activities."

## Note 2. Financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
		Carrying value	
Unlisted stock	¥ 31,455	¥ 202,056	\$378,292
Unlisted bond	42	64	505
Subscription certificates	8,528	11	102,561

Financial instruments above are not included in securities on the table in (2) "Fair value of financial instruments," because there are no market prices available and it is extremely difficult to determine the fair value.

## Note 3. The redemption schedule for financial instruments and securities with maturities

	Millions of yen							
	FY2010				FY2009			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 49,591	¥ —	¥ —	¥ —	¥ 31,334	¥ —	¥ —	¥ —
Notes and accounts receivable	429,166	48	—	—	381,022	61	—	—
Securities:								
Held-to-maturities	—	200	—	—	—	200	—	—
Available-for-sale securities with maturities	21	41	—	—	21	42	20	—
Total	¥478,778	¥290	¥—	¥—	¥ 412,379	¥ 304	¥ 20	¥—

	Thousands of U.S. dollars			
	FY2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 596,404	\$ —	\$ —	\$ —
Notes and accounts receivable	5,161,346	577	—	—
Securities:				
Held-to-maturities	—	2,405	—	—
Available-for-sale securities with maturities	252	493	—	—
Total	\$5,758,003	\$3,487	\$—	\$—

## Note 4. Scheduled maturities of short-term borrowings, current portion of long-term debt, commercial paper and long-term debt

	Millions of yen					
	FY2010					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 8,382	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term debt	281,269	—	—	—	—	—
Commercial paper	28,000	—	—	—	—	—
Long-term debt:						
Bonds	—	70,000	40,000	80,000	80,000	20,000
Bonds with stock acquisition rights	—	—	300,000	—	—	—
Long-term borrowings	—	163,651	242,180	67,776	57,089	58,070
Total	¥317,652	¥233,651	¥582,180	¥147,776	¥137,089	¥ 78,070

	Millions of yen					
	FY2009					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 7,592	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term debt	196,209	—	—	—	—	—
Commercial paper	13,997	—	—	—	—	—
Long-term debt:						
Bonds	—	60,000	70,000	40,000	80,000	20,000
Bonds with stock acquisition rights	—	—	—	300,000	—	—
Long-term borrowings	—	222,449	163,234	133,889	61,196	99,907
Total	¥217,799	¥282,449	¥233,234	¥473,889	¥141,196	¥119,907

	Thousands of U.S. dollars					
	FY2010					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 100,805	\$ —	\$ —	\$ —	\$ —	\$ —
Current portion of long-term debt	3,382,669	—	—	—	—	—
Commercial paper	336,740	—	—	—	—	—
Long-term debt:						
Bonds	—	841,852	481,058	962,116	962,116	240,529
Bonds with stock acquisition rights	—	—	3,607,937	—	—	—
Long-term borrowings	—	1,968,141	2,912,567	815,105	686,578	698,376
Total	\$3,820,228	\$2,809,993	\$7,001,563	\$1,777,221	\$1,648,695	\$938,905



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 13. Derivatives and Hedging Activities

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	FY2010		FY2009		FY2010	
	Contracted amount	Recognized loss	Contracted amount	Recognized loss	Contracted amount	Recognized loss
Interest rate swap agreements:						
To receive floating and pay fixed rates	¥2,670	¥(77)	¥4,450	¥(184)	\$32,110	\$ (926)
Total		¥(77)		¥(184)		\$ (926)

Derivative transactions for which hedge accounting is applied for the years ended March 31, 2011 and 2010 were as follows:

## (a) Currency related

Hedged item	Millions of yen				Thousands of U.S. dollars		
	FY2010		FY2009		FY2010		
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value	
<b>Benchmark method</b>							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 112	¥ 10	¥ 1,978	¥ (4)	\$ 1,346	\$ 120
EUR (Selling)	Accounts receivable (forecasted transactions)	336	25	711	66	4,040	300
HKD (Selling)	Accounts receivable (forecasted transactions)	95	7	95	(3)	1,142	84
SGD (Selling)	Accounts receivable (forecasted transactions)	—	—	172	(2)	—	—
USD (Buying)	Accounts payable (forecasted transactions)	90,093	1,407	51,462	428	1,083,499	16,921
EUR (Buying)	Accounts payable (forecasted transactions)	1,835	16	3,951	100	22,068	192
GBP (Buying)	Accounts payable (forecasted transactions)	822	39	239	7	9,885	469
SWK (Buying)	Accounts payable (forecasted transactions)	47	5	—	—	565	60
NOK (Buying)	Accounts payable (forecasted transactions)	2,266	363	4,659	906	27,251	4,365
KRW (Buying)	Accounts payable (forecasted transactions)	71	(6)	—	—	853	(72)
SGD (Buying)	Accounts payable (forecasted transactions)	10	0	—	—	120	0
Foreign currency option contracts:							
USD (Selling)	Accounts receivable (forecasted transaction)	10,568	42	—	—	127,095	505
USD (Buying)	Accounts receivable (forecasted transaction)	10,568	(9)	—	—	127,095	(108)
<b>Allocation method</b>							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable	2,841	Note 1	18,588	Note 1	34,167	Note 1
USD (Buying)	Accounts payable and deposits received	379	Note 1	18,212	Note 1	4,558	Note 1
EUR (Buying)	Accounts payable and deposits received	969	Note 1	1,490	Note 1	11,653	Note 1
GBP (Buying)	Accounts payable and deposits received	6	Note 1	47	Note 1	72	Note 1
NOK (Buying)	Accounts payable and deposits received	1,108	Note 1	83	Note 1	13,325	Note 1
KRW (Buying)	Accounts payable and deposits received	155	Note 1	293	Note 1	1,864	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the foreign exchange forward contracts to which allocation treatment has been applied is included in the fair value of corresponding accounts receivable and accounts payable as hedged item. Disclosure about the fair value of deposits received is omitted as the amount is immaterial.

## (b) Interest rate related

Hedged item	Millions of yen				Thousands of U.S. dollars		
	FY2010		FY2009		FY2010		
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value	
<b>Benchmark method</b>							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Long-term debt	¥ 951	¥ 38	¥ —	¥ —	\$ 11,437	\$ 457
<b>Short-cut method</b>							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Bonds and long-term debt	16,000	Note 2	109,120	Note 2	192,423	Note 2
To receive floating and pay floating		1,900	Note 2	1,900	Note 2	22,850	Note 2
To receive fixed rates and pay floating		336,300	Note 2	399,200	Note 2	4,044,497	Note 2

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the interest rate swap agreements to which special treatment has been applied is included in the fair value of corresponding bonds and long-term debt as hedged item.

## 14. Research and Development Expenses

Research and development expenses charged to income were ¥33,523 million (\$403,162 thousand) and ¥36,082 million for the years ended March 31, 2011 and 2010, respectively.

## 15. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2011 and 2010 are presented below:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
<b>Deferred tax assets:</b>			
Loss carry-forwards	¥ 47,096	¥ 67,887	\$ 566,398
Accrued retirement benefits	39,155	39,212	470,895
Loss on impairment of property, plant and equipment	19,614	18,834	235,886
Allowance for losses on specific waste disposal business	14,584	16,202	175,393
Accrued expenses	14,641	14,294	176,079
Reserve for rebuilding furnaces	12,591	12,281	151,425
Elimination of unrealized profits	10,392	—	124,978
Others	58,637	55,449	705,195
Total deferred tax assets	216,714	224,163	2,606,301
Valuation allowance	(81,292)	(68,852)	(977,654)
Deferred tax assets net of valuation allowances	135,421	155,310	1,628,634
<b>Deferred tax liabilities:</b>			
Reserve for advanced depreciation of noncurrent assets	(10,548)	(10,209)	(126,855)
Reserve for special repairs	(7,147)	(6,100)	(85,953)
Net unrealized gains and losses on securities	(6,582)	(24,314)	(79,158)
Reserve for loss on foreign investment	(4,474)	—	(53,806)
Others	(7,351)	(11,745)	(88,406)
Total deferred tax liabilities	(36,104)	(52,369)	(434,203)
Net deferred tax assets	¥ 99,317	¥ 102,941	\$ 1,194,431

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2011 and 2010 were as follows:

	FY2010	FY2009
Statutory tax rate	40.0%	40.0%
Valuation allowance and others	6.3	—
Dividends received and others	—	(9.8)
Effective tax rate	46.3%	30.2%



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 16. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of yen
	FY2009
Other comprehensive income:	
Net unrealized gains and losses on securities .....	¥42,667
Net unrealized gains and losses on hedges .....	1,236
Translation adjustments .....	7,434
Share of other comprehensive income of affiliates accounted for using equity method .....	3,377
Total other comprehensive income .....	¥54,716

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of yen
	FY2009
Total comprehensive income attributable to:	
Shareholders of the parent .....	¥100,514
Minority interests .....	3,735
Total comprehensive income .....	¥104,249

## 17. Segment Information

Effective from the fiscal year ended March 31, 2011, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 21, 2008) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued by the ASBJ on March 21, 2008) have been applied.

## (a) Overview of reportable segments

The Group consists of five operating companies that are JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation, JFE Urban Development Corporation and KAWASAKI MICROELECTRONICS, INC. under the Company as a holding company. Each of the five operating companies conducts its business based on an operating system specifically designed for its industry.

Therefore, the Group consists of five reportable segments based on these five operating companies (consolidated basis) that are "Steel", "Engineering", "Shipbuilding", "Urban development" and "LSI" identified by products and services.

Products and services for each reportable segment are as follows:

"Steel" produces and sells a wide range of steel products, steel processed products and raw materials, and operates peripheral business, such as transporting, and maintenance and construction of equipment.

"Engineering" provides engineering services for energy, urban environment, recycle, steel construction and industrial machines and systems.

"Shipbuilding" constructs merchant ships and vessels, and maintains them.

"Urban development" redevelops dormant properties, mainly for condominiums, to improve the usefulness and value of real estate.

"LSI" produces and sells a wide range of LSI products.

## (b) Method of calculating net sales, income (loss), assets, liabilities and other items by reportable segment

Accounting policies of the reportable segments are consistent to those described in Note 2. "Summary of Significant Accounting Policies." Income by reportable segment is based on ordinary income. Intersegment transactions are based on prevailing market price.

## (c) Net sales, income (loss), assets, liabilities and other items by reportable segment

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Net sales:			
Steel			
Sales to customers .....	¥ 2,694,316	¥ 2,226,276	\$ 32,403,078
Intersegment sales or transfers .....	53,107	55,165	638,689
Total .....	¥ 2,747,423	¥ 2,281,441	\$ 33,041,767
Engineering			
Sales to customers .....	¥ 253,644	¥ 283,391	\$ 3,050,438
Intersegment sales or transfers .....	11,468	10,876	137,919
Total .....	¥ 265,112	¥ 294,267	\$ 3,188,358
Shipbuilding			
Sales to customers .....	¥ 210,753	¥ 286,739	\$ 2,534,612
Intersegment sales or transfers .....	59	—	709
Total .....	¥ 210,812	¥ 286,739	\$ 2,535,321
Urban Development			
Sales to customers .....	¥ 12,669	¥ 23,257	\$ 152,363
Intersegment sales or transfers .....	710	3,670	8,538
Total .....	¥ 13,379	¥ 26,927	\$ 160,901
LSI			
Sales to customers .....	¥ 24,176	¥ 24,692	\$ 290,751
Intersegment sales or transfers .....	—	—	—
Total .....	¥ 24,176	¥ 24,692	\$ 290,751
Total			
Sales to customers .....	¥ 3,195,560	¥ 2,844,356	\$ 38,431,268
Intersegment sales or transfers .....	65,345	69,711	785,868
Total .....	¥ 3,260,905	¥ 2,914,068	\$ 39,217,137
Adjustments			
Sales to customers .....	¥ —	¥ —	\$ —
Intersegment sales or transfers .....	(65,345)	(69,711)	(785,868)
Total .....	¥ (65,345)	¥ (69,711)	\$ (785,868)
Consolidated			
Sales to customers .....	¥ 3,195,560	¥ 2,844,356	\$ 38,431,268
Intersegment sales or transfers .....	—	—	—
Total .....	¥ 3,195,560	¥ 2,844,356	\$ 38,431,268

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Segment income (loss):			
Steel .....	¥ 134,294	¥ 32,310	\$ 1,615,081
Engineering .....	12,207	13,355	146,806
Shipbuilding .....	17,191	21,592	206,746
Urban Development .....	(736)	(1,831)	(8,851)
LSI .....	1,693	(917)	20,360
Total .....	164,650	64,509	1,980,156
Adjustments .....	1,154	4,779	13,878
Consolidated .....	¥ 165,805	¥ 69,289	\$ 1,994,046

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Segment assets:			
Steel .....	¥ 3,652,312	¥ 3,543,807	\$ 43,924,377
Engineering .....	260,556	265,347	3,133,565
Shipbuilding .....	184,985	186,971	2,224,714
Urban Development .....	10,677	29,050	128,406
LSI .....	19,364	21,281	232,880
Total .....	4,127,896	4,046,458	49,643,968
Adjustments .....	(151,251)	(128,141)	(1,819,013)
Consolidated .....	¥ 3,976,644	¥ 3,918,317	\$ 47,824,942

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Depreciation:			
Steel .....	¥ 234,141	¥ 234,389	\$ 2,815,886
Engineering .....	5,498	5,880	66,121
Shipbuilding .....	5,077	5,350	61,058
Urban Development .....	334	493	4,016
LSI .....	1,602	2,189	19,266
Total .....	246,653	248,304	2,966,361
Adjustments .....	12	70	144
Consolidated .....	¥ 246,666	¥ 248,374	\$ 2,966,518

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Amortization of goodwill and negative goodwill:			
Steel .....	¥ 149	¥ (149)	\$ 1,791
Engineering .....	163	5	1,960
Shipbuilding .....	3,462	3,462	41,635
Urban Development .....	—	—	—
LSI .....	0	5	0
Total .....	3,776	3,324	45,411
Adjustments .....	(146)	489	(1,755)
Consolidated .....	¥ 3,629	¥ 3,813	\$ 43,644

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Interest income:			
Steel .....	¥ 1,256	¥ 862	\$ 15,105
Engineering .....	157	209	1,888
Shipbuilding .....	33	55	396
Urban Development .....	1	8	12
LSI .....	1	3	12
Total .....	1,450	1,138	17,438
Adjustments .....	(613)	(519)	(7,372)
Consolidated .....	¥ 837	¥ 619	\$ 10,066

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Interest expense:			
Steel .....	¥ 17,543	¥ 20,324	\$ 210,980
Engineering .....	366	510	4,401
Shipbuilding .....	26	105	312
Urban Development .....	57	180	685
LSI .....	45	48	541
Total .....	18,039	21,169	216,945
Adjustments .....	(1,576)	(1,706)	(18,953)
Consolidated .....	¥ 16,463	¥ 19,463	\$ 197,991

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Equity in earnings (losses) of affiliates:			
Steel .....	¥ 17,873	¥ 6,824	\$ 214,948
Engineering .....	(258)	(662)	(3,102)
Shipbuilding .....	—	—	—
Urban Development .....	—	—	—
LSI .....	—	—	—
Total .....	17,614	6,162	211,834
Adjustments .....	(1,302)	280	(15,658)
Consolidated .....	¥ 16,312	¥ 6,442	\$ 196,175

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Investment in affiliates accounted for using equity method:			
Steel .....	¥ 229,765	¥ 217,023	\$ 2,763,259
Engineering .....	23,415	25,637	281,599
Shipbuilding .....	—	—	—
Urban Development .....	—	—	—
LSI .....	—	—	—
Total .....	253,181	242,660	3,044,870
Adjustments .....	(3,302)	(3,371)	(39,711)
Consolidated .....	¥ 249,879	¥ 239,289	\$ 3,005,159

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Increase in property, plant and equipment and intangible assets:			
Steel .....	¥ 162,459	¥ 212,176	\$ 1,953,806
Engineering .....	12,481	5,790	150,102
Shipbuilding .....	4,396	5,856	52,868
Urban Development .....	199	229	2,393
LSI .....	950	1,209	11,425
Total .....	180,488	225,262	2,170,631
Adjustments .....	4	5	48
Consolidated .....	¥ 180,492	¥ 225,268	\$ 2,170,679



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

**(d) Information about products and services**

Information about products and services has not been disclosed since the classification by products and services is the same as the reportable segment.

**(e) Information by geographical area****(1) Sales**

	Millions of yen			Thousands of U.S. dollars		
	Japan	Others	Total	Japan	Others	Total
	<b>FY2010</b>					
Sales .....	<b>¥ 1,929,988</b>	<b>¥ 1,265,571</b>	<b>¥ 3,195,560</b>	<b>\$ 23,210,920</b>	<b>\$ 15,220,336</b>	<b>\$ 38,431,268</b>

**(2) Property, plant and equipment**

Information about property, plant and equipment has not been disclosed at March 31, 2011 and 2010, since property, plant, and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheets.

**(f) Information about major customers for the year ended March 31, 2011**

Name of customer	Name of the related segment	Millions of Yen		Thousands of U.S. dollars	
		<b>FY2010</b>		Sales	
JFE SHOJI TRADE CORPORATION .....	Steel	<b>¥ 854,300</b>		<b>\$ 10,274,203</b>	
Marubeni-Itochu Steel Inc. ....	Steel	<b>357,603</b>		<b>4,300,697</b>	

**(g) Information on impairment loss by reportable segment**

	Millions of Yen					
	<b>FY2010</b>					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Impairment loss .....	<b>¥ 1,779</b>	<b>¥ 796</b>	<b>¥ —</b>	<b>¥ 5,548</b>	<b>¥ —</b>	<b>¥ 8,124</b>

	Thousands of U.S. dollars					
	<b>FY2010</b>					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Impairment loss .....	<b>\$ 21,395</b>	<b>\$ 9,573</b>	<b>\$ —</b>	<b>\$ 66,722</b>	<b>\$ —</b>	<b>\$ 97,702</b>

**(h) Information on unamortized balance of goodwill by reportable segment**

	Millions of Yen					
	<b>FY2010</b>					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Unamortized balance .....	<b>¥ 78</b>	<b>¥ —</b>	<b>¥ 6,924</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 7,003</b>

	Thousands of U.S. dollars					
	<b>FY2010</b>					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Unamortized balance .....	<b>\$ 938</b>	<b>\$ —</b>	<b>\$ 83,271</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 84,221</b>

**(i) Information on gain from negative goodwill by reportable segment**

Gain on negative goodwill amounting ¥3,380 million (\$40,649 thousand) was recognized in the "Steel" segment during the year ended March 31, 2011 since JFE Steel Corporation, the Company's subsidiary, exchanged the Company's common stock with Toyohira Steel Corporation.

Information about geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010, which is based on the previous standard, is follows:

**Geographic Segments**

Geographic segment information has not been disclosed because the sales and assets of consolidated foreign subsidiaries for the year ended March 31, 2010 were less than 10% of consolidated net sales and assets.

**Sales to Foreign Customers**

Sales to foreign customers for the year ended March 31, 2010 amounted to ¥1,090,932 million.

**18. Impairment Loss**

The Company classified their long-lived assets as idle assets, leased assets, project-oriented assets and business-oriented assets, and grouped each of those classified assets into the minimum unit which will generate cash flows independent of other assets or group of assets.

For the year ended March 31, 2010, primarily the book value of the rental properties whose profitability declined was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥3,242 million, including ¥2,196 million for buildings and structures, ¥636 million for land and ¥409 million for machinery and equipment. The recoverable amount of the above assets is principally calculated based on their value in use.

For the year ended March 31, 2011, primarily the book value of the rental properties whose profitability declined was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥8,124 million (\$97,702 thousand), including ¥2,792 million (\$33,577 thousand) for buildings and structures, ¥3,469 million (\$41,719 thousand) for land and ¥1,862 million (\$22,393 thousand) for machinery and equipment. The recoverable amount of the above assets is principally calculated by appraisal values of real estate.

**19. Extraordinary Profit (Loss)**

For the years ended March 31, 2011 and 2010, extraordinary profit (loss) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	<b>FY2010</b>	FY2009	<b>FY2010</b>
Profit on sales of property, plant and equipment .....	<b>¥ —</b>	¥ 3,563	<b>\$ —</b>
Profit on sales of investments in securities .....	<b>—</b>	4,996	<b>—</b>
Gain on negative goodwill .....	<b>3,755</b>	—	<b>45,159</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	<b>(5,306)</b>	—	<b>(63,812)</b>
Loss on impairment of property, plant and equipment .....	<b>(8,124)</b>	(3,242)	<b>(97,702)</b>
Write-down of investments in securities .....	<b>(4,787)</b>	—	<b>(57,570)</b>
Provision for loss on litigation .....	<b>(7,713)</b>	—	<b>(92,760)</b>
Special retirement expenses .....	<b>—</b>	(3,652)	<b>—</b>
Loss on natural disaster (Note 1) ..	<b>(28,361)</b>	—	<b>(341,082)</b>

Note 1: Loss on natural disaster is mainly repair costs for property, plant and equipment which were damaged by Great East Japan Earthquake. Loss on natural disaster for the year ended March 31, 2011 consists of the following:

	Millions of Yen		Thousands of U.S. dollars
	<b>FY2010</b>	FY2009	<b>FY2010</b>
Repair costs .....	<b>¥ (16,173)</b>	—	<b>\$ (194,503)</b>
Loss related to inventories .....	<b>(6,340)</b>	—	<b>(76,247)</b>
Loss on disposal of property, plant and equipment (mainly machinery and equipment) .....	<b>(3,786)</b>	—	<b>(45,532)</b>
Other .....	<b>(2,061)</b>	—	<b>(24,786)</b>



## Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2011 and 2010

## 20. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

(Year ended March 31, 2011)

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ 58,608	529,298	¥ 110.73	\$ 1.33
Effect of dilutive securities				
Amortization of premium on bond, net of tax	—	—		
Interests on bond, net of tax	3,302	—		
Bond with stock acquisition rights	—	35,169		
Diluted EPS				
Net income for computation	¥ 61,910	564,467	¥ 109.68	\$ 1.31

(Year ended March 31, 2010)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders	¥ 45,659	528,745	¥ 86.35
Effect of dilutive securities			
Amortization of premium on bond, net of tax	(5)	—	
Interests on bond, net of tax	—	—	
Bond with stock acquisition rights	—	495	
Diluted EPS			
Net income for computation	¥ 45,654	529,240	¥ 86.26



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## Report of Independent Auditors

The Board of Directors  
JFE Holdings, Inc.

We have audited the accompanying consolidated balance sheets of JFE Holdings, Inc. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 22, 2011







**JFE Holdings, Inc.**

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