



JFE Group Profile

JFE Group TODAY

# 2012





# JFE Group TODAY



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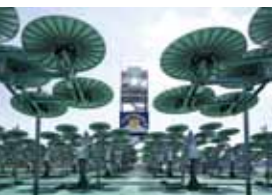


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### Corporate Vision

Contributing to society with the world's most innovative technology

### Corporate Values

Challenging Spirit, Flexibility, Sincerity



# JFE Group History

April 1878

Shozo Kawasaki established Kawasaki Tsukiji Shipyard in Tsukiji, Tokyo



Tsukiji Shipyard in 1891

May 1917

Fukiai Works established in Kobe



Fukiai Works in 1930

October 1896

Kawasaki Dockyard Company, Ltd. established (later renamed as Kawasaki Heavy Industries, Ltd.)



August 1943

Chita Works established in Aichi Prefecture

Chita Works in 1949

**Kawasaki Heavy Industries, Ltd.**

**Kawasaki Heavy Industries, Ltd.**



August 1950

Steel division of Kawasaki Heavy Industries spun off as independent Kawasaki Steel Corporation

Yataro Nishiyama named first president



February 1951

Chiba Works established as first modern integrated iron and steel works in postwar Japan

No. 1 blast furnace at Chiba Works

**Kawasaki Steel Corporation**



July 1961

Mizushima Works established in Kurashiki, Okayama Prefecture

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

1870—1900

1910

1920

1930

1940

1950

1960

1970

1980

1990

2000

2012



June 1912

Nippon Kokan K.K. established

Motojiro Shiraishi named first president

**Nippon Kokan K.K.**

October 1940

Tsurumi Steelmaking and Shipbuilding Company acquired and absorbed (formerly Asano Shipyard)

**Asano Shipyard Co., Ltd.**

June 1936

First blast furnace blown in and integrated steel production started



Blowing-in of first blast furnace

April 1916

Yokohama Shipyard launched (later renamed Asano Shipyard Co., Ltd.)



Shipyard in 1940

December 1971

Construction of Ohgishima began at Keihin Steel Works



Completed Ohgishima (foreground)

April 1968

Keihin Steel Works established (consolidation of Kawasaki, Tsurumi and Mizue works)



Keihin Steel Works

February 1965

Fukuyama Works established



Fukuyama Works in 1966

April 2000

NKK and Kawasaki Steel began discussing cooperation



April 2001

NKK and Kawasaki Steel announced consolidation of operations

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

December 2001

Basic agreement on consolidation concluded and JFE announced as new group name



**JFE Group Name**

"J" stands for Japan; "F" for "Fe," the atomic symbol for iron; and "E" for engineering. Informally, the letters also refer to "Japanese future enterprise," expressing the Group's aspiration to contribute to Japan's future through its core businesses of steel production and engineering.

**JFE**

September 2002

**JFE Holdings, Inc.**

January 2003

JFE Group's first medium-term business plan released

October 2004

JFE Shoji Group created by integrating and restructuring Kawasho Corporation and NKK Trading Inc.

**JFE SHOJI TRADE CORPORATION**

October 2012

JFE Shoji Trade Corporation to become operating company (plan).

**JFE SHOJI TRADE CORPORATION**

April 2003

**JFE Steel Corporation**

**JFE Engineering Corporation**

**JFE Urban Development Corporation**

April 2011 Merged into JFE Steel Corporation

October 2002

Universal Shipbuilding Corporation established by consolidating NKK and Hitachi Zosen

**Universal Shipbuilding Corporation**

April 2008

Universal Shipbuilding Corporation incorporated as JFE Group company

**Universal Shipbuilding Corporation**

October 2012

IHI Marine United Inc.'s business to be integrated (plan)

**Japan Marine United Corporation**

July 2001

LSI Division established

**KAWASAKI MICROELECTRONICS, INC.**

Sold to MegaChips Corporation



## Pig Iron Tapping Reaches Japan-First 400 Million Tons

Pig iron tapping at JFE Steel West Japan Works (Fukuyama District) rose cumulatively to 400 million tons on May 8, 2012, the first time in Japan that a single steel works had attained this level. This mark was reached in 45 years and nine months, following the startup of the No.1 blast furnace at the Fukuyama District in Hiroshima Prefecture in August 1966.



## World-class Technologies for Efficient Production of High-Quality Steel

JFE Steel produces high-quality steel in furnaces that, while huge, are controlled by only a few operators. The company is constantly pursuing groundbreaking technologies and processes to continue cutting steel production costs and common core technologies to strengthen operations throughout the JFE Group.

Control room of No. 2 furnace at JFE Steel East Japan Works (Keihin District)

# Overseas Business Development Through Strategic Partnerships

Guangzhou JFE Steel Sheet, a Chinese joint venture of JFE Steel, launched a second continuous galvanizing line in April 2012 as part of an integrated production system that encompasses cold rolling, continuous annealing and two hot-dip galvanizing lines.



# Construction of Steel Seawall to Protect Nuclear Power Station from Tsunami

To provide the Hamaoka Nuclear Power Station of CHUBU Electric Power Co., Inc. with protection from destructive tsunami, JFE Engineering has helped to design and construct a massive steel seawall that will rise 18 meters above sea level and extend 1.6 kilometers in length when completed at the end of 2012. To finish construction as quickly as possible, JFE Engineering devised a procedure for producing the wall's main sections, including all 109 steel shells, off site. The media visited JFE Engineering to view some of the massive steel shells in March 2012.



## Bridge Repairs Performed With Speed and Precision

The Shimoechi elevated bridge of the Kenodo loop expressway straddles heavily travelled National Route 246. JFE Engineering installed large reinforcement blocks for the bridge in a mere 15 minutes, greatly minimizing the time during which traffic had to be stopped. JFE Engineering's technological capabilities as a leading bridge builder have attracted much attention.







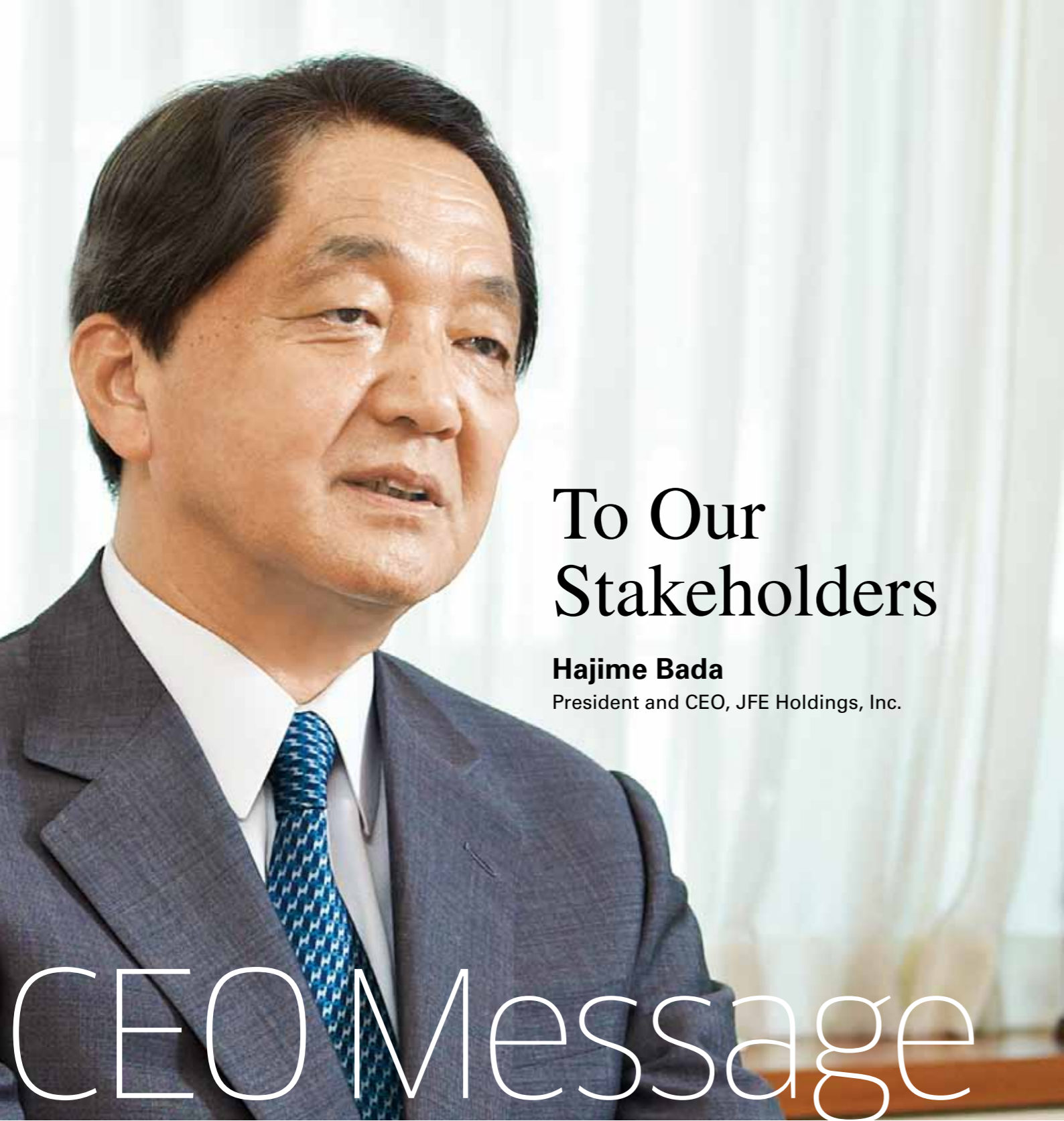
## Energy-Saving Technologies to Address Environmental Problems

Universal Shipbuilding is developing large bulk carriers that significantly reduce greenhouse gas emissions by using advanced systems for high-performance propulsion and hybrid electrical generation. Additionally, Universal Shipbuilding is making a comprehensive effort to eliminate the risks of oil leaks as part of its proactive approach to help minimize environmental loads.

## Rewarding Workplaces for Diverse And Highly Active Workforces

The JFE Group strives to provide rewarding workplaces out of respect for the diverse values of its employees, regardless of gender or nationality. In addition to offering support systems that help to ensure a healthy balance between work, private life and employee welfare, JFE Steel operates the Diversity Promotion Sec. and is devising related initiatives to maintain a healthy, happy and dedicated workforce.





# To Our Stakeholders

**Hajime Bada**  
President and CEO, JFE Holdings, Inc.

# CEO Message

## Looking Back at Fiscal 2011

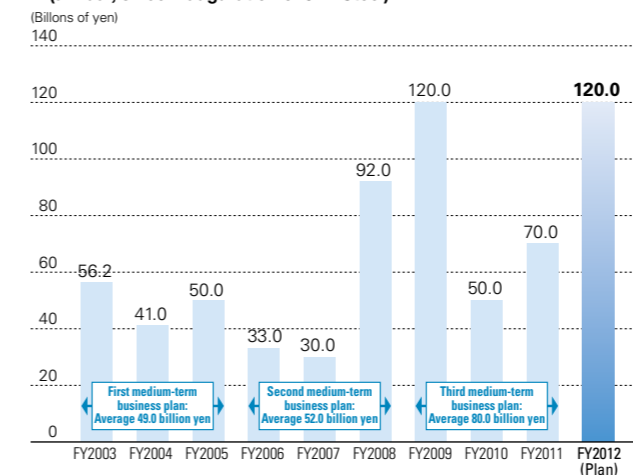
The business environment remained harsh in fiscal 2011 due to the impact of severe natural disasters, including the Great East Japan Earthquake and flooding in Thailand, in addition to slowdowns in overseas economies and the effects of the strong yen. Under these conditions, the JFE Group strengthened initiatives to improve earnings and enhance overseas sales bases to capture demand,

while also working strenuously to support reconstruction following the earthquake in northeastern Japan. Despite such efforts, however, Group business worsened from the previous year. Although consolidated ordinary income was secured, the Group posted an extraordinary loss and consolidated net loss.

## Key Initiatives

In the face of a difficult business environment, the JFE Group implemented a variety of strategic measures, including reducing costs to improve earnings and laying the groundwork for future growth. At the same time, Group-wide efforts were coordinated to support recovery from the Great East Japan Earthquake.

### Steel business cost reductions (annual, since inauguration of JFE Steel)



## Key Initiatives

### Business Restructuring

- Placed JFE Shoji Trade directly under JFE Holdings
- Integrated management of Universal Shipbuilding and IHI Marine United (IHIMU)
- Sold Kawasaki Microelectronics to MegaChips
- Integrated JFE Steel Group's electric furnace business

>> For details, see "JFE Group's Business Restructuring," pp. 21-24

### Overseas Business Development

- Expanded a strategic alliance with JSW Steel, raising our share to 15% to turn the company into an equity-method affiliate.
- Commenced a feasibility study of constructing an integrated steelworks in Vietnam.
- Expanded and upgraded our overseas production bases and offices.

### Support for Earthquake Reconstruction

- JFE Engineering, working under the direction of Miyagi Prefecture, disposed of 50% of the prefecture's earthquake-generated waste.
- In response to Japan's tightened electricity supply, we conserved electricity at our facilities and supplied the grid with power by operating power-generation facilities at our steelworks at full capacity.

## JFE Group's 10th Anniversary

The JFE Group marked its 10th anniversary in the fiscal year starting in April 2012. To gear up for future growth and to further develop the Group, as well as to solidify our long-term vision covering the next 10 years, we formulated our Fourth Medium-Term Business Plan for the new three-year period. Under this plan, JFE will return to its origins to establish a corporate structure for sustainable growth, anchored by a strengthened domestic profit base and the development of innovative technologies and groundbreaking products. The Group also will pursue new growth in the global market by allocating resources strategically, mainly in emerging markets that are expected to achieve high growth over the medium to long term.

The business environment continues to evolve at a faster-than-anticipated rapid pace. Every employee in the Group must respond to such changes by firmly resolving to adapt themselves and the JFE Group to the new era. The Group will continue to implement thorough compliance to earn society's trust, address environmental concerns and assure the highest levels of safety. In doing so, we will strive for sustainable growth while making a concerted effort to maximize value for all stakeholders.

# Q1 Could you briefly summarize your recently announced Fourth Medium-Term Business Plan?

**A1** Under the Fourth Medium-Term Business Plan, we will implement the following five common measures throughout the JFE Group:

- 1) Restructure domestic profit base
- 2) Enhance corporate value through technological advantages
- 3) Continue large-scale investments in growth and cost reduction
- 4) Expand presence in global markets
- 5) Establish corporate structure for sustainable growth
  - Strengthen CSR and corporate governance
  - Strengthen environmental management
  - Nurture diversified human resources
  - Improve financial position and return profits to shareholders

## ●Targets for the Plan's Final Fiscal Year (Fiscal 2014)

**Consolidated net sales**  
..... 4 trillion yen

**ROS** ..... 10%

The JFE Group will strive to solidify its domestic profit base by thoroughly reducing costs, developing new business fields and strengthening competitiveness through alliances and M&A.

Innovative technologies will be developed with an eye on the market 10 years from now, aiming to enhance corporate value by leveraging technological advantages. Additionally, we will pursue rapid development of groundbreaking products that meet customer needs promptly and precisely. Other key targets include process technologies that lead to deeper cost reductions, and both fundamental and applied technologies that strengthen the Group overall.

●**Total investment (Fiscal 2012–2014)**  
..... 1 trillion yen

●**Ratio of overseas investment**  
..... Around 50%  
(up from 25% in previous plan)

The JFE Group will continue to strengthen operations through large-scale investment. To expand the Group's presence in global markets, the overseas investment ratio will be increased and overseas bases will be increased and upgraded. Also, the synergistic effects of JFE Shoji Trade Corporation's network will be maximized, aiming to penetrate growing global markets more deeply and to provide products and services that meet local needs.

# Q2 What types of measures are you implementing in each business?

**A2 Steel Business**  
JFE Steel aims to solidify its reputation as the world's leading global steel supplier and become a company that can be truly proud of its global status. In addition to focusing on high-end steel, JFE Steel will capture demand in promising emerging markets by engaging in technical cooperation and strategic alliances, as well as by enhancing product value, aiming to become the company that customers prefer. The goal is to grow annual business to 40 million tons in the coming five years and then eventually to 50 million tons. JFE Steel will pursue increased sales volume by leveraging technological advantages to develop

products that customers seek out. The cost competitiveness and productivity of upstream operations will be thoroughly strengthened to establish production frameworks capable of responding more flexibly to demand fluctuations. Closer collaboration with JFE Shoji Trade Corporation is expected to lead to enhanced efficiency and lower costs of domestic distribution. Overseas, a strategic priority will be placed on shifting from export-driven business to models that combine exports and local production, including aggressive expansion of production capabilities overseas. In Vietnam, we will undertake a full-scale feasibility study of a plan to build and operate

an integrated steelworks. For raw materials procurement, JFE Steel will increase its iron ore and coking coal self-sufficiency ratios to 30% and will develop the capability to adjust procurement volumes on a timely basis in response to fluctuating production.

- Measures**
- Execute strategies to expand sales by meeting customer needs
  - Achieve world-leading technologies and cost competitiveness
  - Accelerate expansion into overseas markets
  - Realize competitive raw material procurement strategies

## Engineering Business

JFE Engineering will further solidify its foundation, mainly in the environmental and energy fields, to become a leader in these areas.

For specialty operations, including waste-to-energy plants, waste-heat recovery boilers and wastewater treatment plants, relevant domestic sales and technical functions will be significantly shifted overseas, primarily to Europe and Asia, and global business will be expanded by responding to regional diversities.

JFE Engineering aims to win more orders for new technologies, such as its ballast water treatment system and "Cycle Tree" multi-level mechanical bicycle parking system, and in renewable energy fields, including geothermal power generation, supported by aggressive M&A mainly in the environmental field.

- Measures**
- Expand overseas business to more than 10% of total orders by fiscal 2014 (5% actual in fiscal 2011)
  - Develop and launch new products that account for 8% of total sales by fiscal 2014 (2% actual in fiscal 2011)

## Shipbuilding Business

To compete with major Korean and Chinese shipbuilding companies, Universal Shipbuilding will establish a comprehensive industry-leading position by promptly achieving the synergistic effects of its integration with IHI Marine United (IHIMU) in October 2012. Product development capabilities will be enhanced to expand the company's product portfolio and shorten new product development periods. Concurrently, to substantially reduce costs, productivity will be improved by aggregating ship types in shipyards and by strengthening capabilities to purchase materials and machinery. Universal Shipbuilding will focus on developing next-generation, environmentally friendly ships that offer world-leading fuel efficiency.

- Measures**
- Achieve synergistic effects of integration with IHIMU
  - Expand product portfolio and improve productivity
  - Develop next-generation, environmentally friendly ships



# Q3 What measures are you taking in finance and to return profits to shareholders?

**A3** The JFE Group, while investing in new growth initiatives, will continue to pursue improved earnings and cash flow to ensure financial strength deserving of A-grade

ratings by international credit rating agencies. Returning profits to shareholders is one of our top priorities, so we intend to maintain our 25% payout ratio.

# Aiming for Sustainable Growth

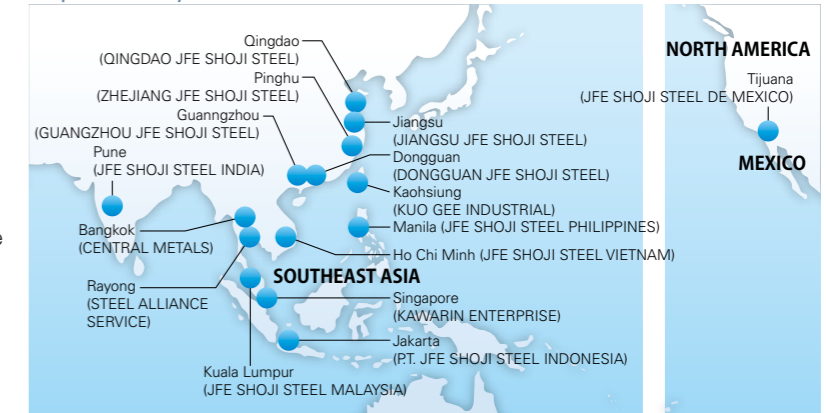
Ongoing restructuring is raising the JFE Group's presence in global markets and increasing its corporate value. Going forward, the Group will continue to strengthen its business, mainly in steel and engineering, through more strategic allocation of resources.



## JFE Shoji Trade Group

### JFE Shoji Trade Overseas Steel Business — Expansion beyond Asia

With Asia serving as the main base, increased efforts are being made to expand global exports of JFE Steel products and to develop new business through various projects. Sales are managed by an overseas network of 30 offices in 15 countries. We provide stable supplies, mainly from steel processing centers (coil centers) in 15 locations worldwide, to meet customer needs.



### Domestic Steel Business

Developing Trust as a Professional in the Steel Business



JFE Shoji Trade, unifying the strategy with JFE Steel, manages logistics ranging from delivery to proactive sales. The company's steel processing centers for stocking and logistics also function as strategic sales bases for highly added-value products tailored to diverse needs.

### Raw Materials

Securing Stable Supplies of Competitive Resources



As demand for raw materials grows in parallel with the evolution of the Japanese steel industry, JFE Shoji Trade is increasing its import of raw materials into Japan and actively participating in resource development projects for the procurement and stable supply of competitive resources.

### Chemicals & Fuels

Leveraging Networks to Expand New Materials Business

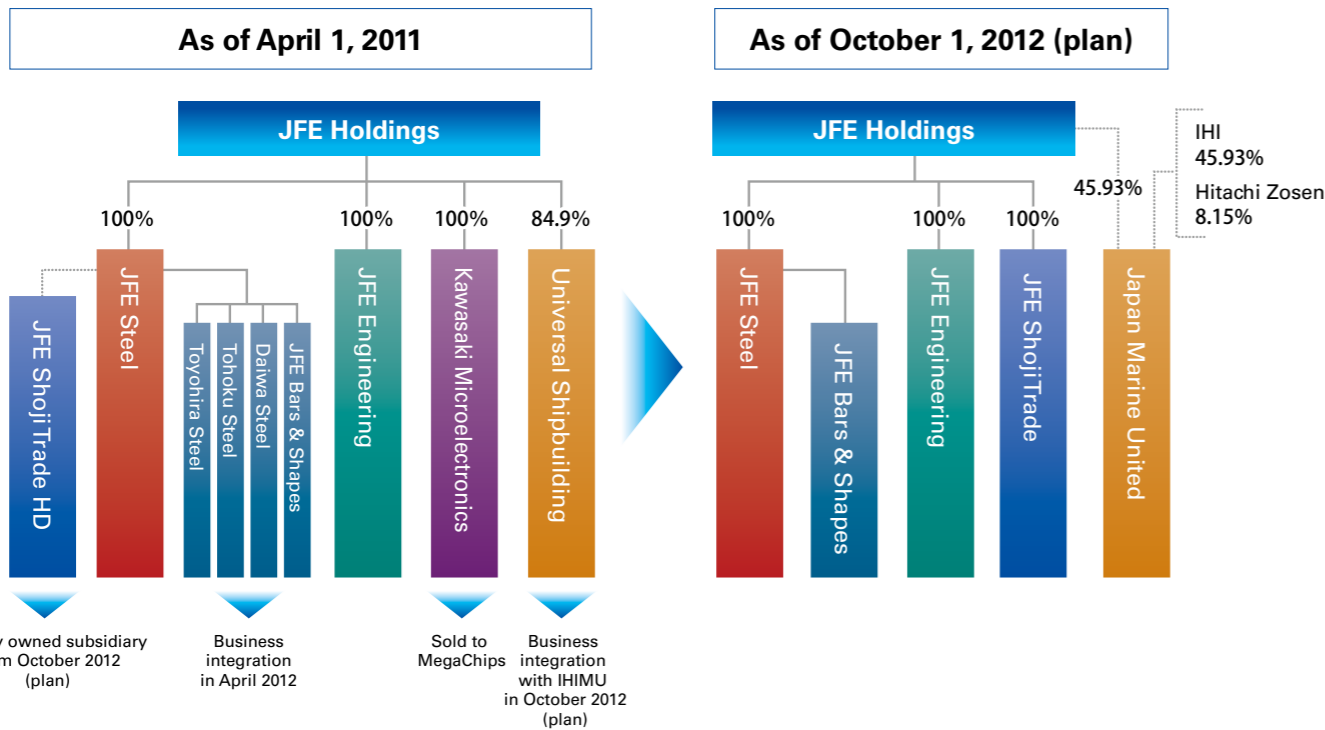


Our business in the fields of chemicals and fuels has been expanding in close connection with the needs of steel plants. At present, we import, export and locally trade a wide range of products, including industrial gases, petrochemical products, raw materials for plastics and petroleum products.

### Machinery

Coordinating Domestic & Overseas Materials and Equipment to Ships

JFE Shoji Trade, which has been supplying materials and machinery to support stable operations ever since JFE Steel's steel plants were first operated, is now working to expand sales, mainly to JFE Group companies. Materials and machinery are procured and sold both in Japan and overseas.



## Business Restructuring

# 01

### JFE Shoji Trade Placed Directly Under JFE Holdings

## Stronger Global Presence and Increased Group Value

JFE Shoji Trade, an equity-method affiliate of JFE Steel, is scheduled to become a wholly owned subsidiary of JFE Holdings on October 1, 2012 through a share exchange utilizing the company's treasury shares. The JFE Group expects to fully realize its collective strengths by enabling JFE Shoji Trade to more easily collaborate with each operating company and expand into new fields.

### Why the Change?

- Deploy JFE Shoji Trade's marketing capabilities throughout the Group.
- Strengthen and streamline entire supply chain in the Group's steel business.

## Kawasho Foods

Working through an international network with overseas Group companies at the core, Kawasho Foods provides Japan and the people of the world with secure, safe and delicious products, contributing to a rich dietary life for people everywhere.



GEISHA is an acclaimed global brand.



The NOZAKI brand is loved by customers worldwide.

## JFE Shoji Electronics Corporation

JFE Shoji Electronics Corporation manages global sales of an extensive line of products ranging from semiconductor devices, surface-mount equipment and industrial cleaning machines to analytical instruments. As a technology-oriented trading firm, the company is steadily enhancing its capabilities in technical support and systems solutions.



Business Restructuring

02

Shipbuilding

## Japan Marine United to Be Established in October 2012

Following discussions between JFE Holdings and IHI Corporation concerning the integration of their respective shipbuilding subsidiaries, Universal Shipbuilding and IHI Marine United (IHIMU), a total of five companies, including Hitachi Zosen Corporation (Hitachi Zosen), a shareholder of Universal Shipbuilding, reached a basic agreement on the integration in January 2012. The new company, Japan Marine United Corporation, will commence operations in October 2012.

The new company will quickly realize a number of synergies. The product lineup will be expanded by combining the ship types of both companies, productivity will be improved by consolidating ship types at each shipyard and product development will be accelerated by bringing together energy-saving and eco-friendly technologies. In addition, capabilities to respond to large-lot orders and procure equipment and materials under more competitive terms will be enhanced by expanded scale, and efficiencies will be improved through the integration of administrative functions.



### Japan Marine United Corporation

Head Office: 5-36-7 Shiba, Minato-ku, Tokyo  
 President & CEO: Shinjiro Mishima (currently president & CEO of Universal Shipbuilding Corp.)  
 Establishment: October 1, 2012 (plan)  
 Net Sales: 400 billion yen  
 Office/Shipyards: Ariake, Kure, Tsu, Maizuru, Yokohama (Isogo, Tsurumi), Innoshima and Technical Research Center (Tsu)  
 Overseas Bases: China, Netherlands, Singapore, Turkey, United Kingdom, Vietnam  
 Main Divisions: Planning & Administration, Ship & Offshore Structure, Naval Ship, Engineering & Life Cycle



Ariake Shipyard, Universal Shipbuilding



Kure Shipyard, IHIMU

Business Restructuring

03

## MOU for Sale of Kawasaki Microelectronics

On April 20, 2012, JFE Holdings concluded a memorandum of understanding (mou) to sell its subsidiary, Kawasaki Microelectronics, to MegaChips Corporation. MegaChips is a fabless LSI manufacturer that engages in design, development and sales of LSI and system products, backed by strong development capabilities from its upstream operations in applications. Under MegaChips, which has mutually complementary technologies and markets, Kawasaki Microelectronics is expected to strengthen its development and new business capabilities.

### MegaChips Corporation

Head Office: Shin-Osaka Hankyu Building, 1-1-1 Miyahara, Yodogawa-ku, Osaka  
 President & CEO: Akira Takata  
 Establishment: April 1990  
 Paid-in Capital: 4.8 billion yen  
 Net Sales: 35.3 billion yen (fiscal 2011)  
 Main Businesses: Design, development and sales of system LSI, electronic devices and systems products using proprietary system LSIs

Business Restructuring

04

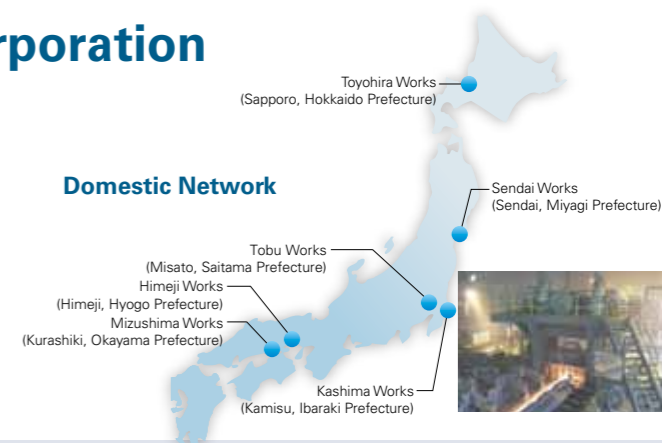
Integrated Electric Furnace Business

## Aiming to Become a Top Domestic Electric Furnace Steelmaker

Four JFE Group companies using electric furnaces to produce steel — JFE Bars & Shapes Corporation, Daiwa Steel Corporation, Tohoku Steel Corporation and Toyohira Steel Corporation — were merged into a new company, JFE Bars & Shapes Corporation, on April 1, 2012. In addition to strengthening its cost and quality competitiveness, the new company is working to enhance its earnings power through close collaboration with JFE Steel.

### JFE Bars & Shapes Corporation

Head Office: 5-11-3 Shimbashi, Minato-ku, Tokyo  
 President: Hiroshi Nomura  
 Establishment: April 2012  
 Paid-in Capital: 45.0 billion yen  
 Net Sales: 168.5 billion yen (fiscal 2011; simple non-consolidated aggregate prior to merger)  
 Main Business: Manufacture and sale of regular and special steel slabs and steel materials



#### Products



Shapes



Flat bars



Steel bars for concrete reinforcement



Steel for bolts



Steel bars



Wire rods

# New Value through “Only One” and “Number One” Technologies and Products

The JFE Group provides a diverse array of products that advance people’s lives under the Group’s vision of contributing to society with the world’s most innovative technology.

## JFE Steel Corporation

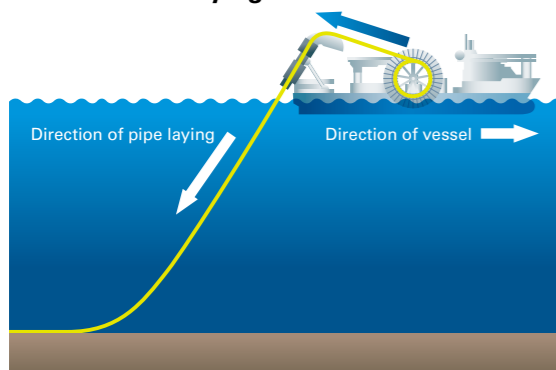
### Supply of 3,500 Tons of MightySeam® ERW Pipe World’s First Use of Non-Heat-Treated ERW Pipe for Reel-Method Laying

#### Laying by reel in the harsh North Sea



JFE Steel has received an order for 3,500 metric tons of MightySeam® electric-resistance-welded (ERW) steel pipe from Statoil ASA, a Norwegian energy company. The pipe will be installed in the Stjerne and Hyme fields in the North Sea using the reel method, which is suitable for laying medium-scale pipeline. The method requires high-quality pipe manufactured with strict specifications, so either seamless or heat-treated ERW pipes are used conventionally. MightySeam®, however, was chosen for this order because it has been acclaimed for its high reliability, including the stable performance of its welds under harsh conditions, as well as for its excellent strength and dimensional accuracy. Increased use of JFE Steel’s special pipe is expected in the future.

#### Reel-Method Laying



The method involves welding the pipe on land beforehand and then winding it aboard a specialized pipe-laying vessel. The method costs less than the traditional method of welding pipe aboard the ship just prior to being laid.

## Perspective



**Masahito Suzuki**  
Welding Plant, Welding Division  
East Japan Works (Keihin District)  
JFE Steel

MightySeam® electric-resistance-welded steel pipe, which is produced by continuously forming and welding hot coil, offers weld quality equal to the base (parent) material. Our research laboratory and steelworks succeeded in commercializing this pipe based on world-leading manufacturing and quality evaluation technologies. Going forward, we hope to develop other products that are truly appreciated by customers and contribute to society.

## JFE Engineering Corporation

### Robust Orders for Urban Waste-to-Energy Plants in Japan Hyper Z Plant Acclaimed for Cutting-Edge Technologies and Cost Efficiency

JFE Engineering received orders for large-scale waste-to-energy plants in the Fukuoka, Toyonaka Itami, Takaoka and Kumamoto areas of Japan in fiscal 2011. The socially beneficial plants were highly acclaimed by these customers for their

advanced technologies and outstanding cost performance. The independently developed, high-performance Hyper Z Plant is in Japan’s top class for power-generating efficiency and CO<sub>2</sub> reduction.



A local community in Kumamoto has welcomed the Hyper Z Plant as part of a proactive environmental program.

## Perspective



**Toshiyuki Sugiyama**  
Project Management Dept.  
Plant Engineering Division  
Environmental Solutions Sector  
JFE Engineering

The orders were won on the strength of thoroughly analyzing customer needs, as well as the Hyper Z plant’s unrivalled competitiveness. JFE Engineering in fiscal 2011 secured approximately 50% of all orders for urban waste-to-energy plants in Japan, based on total processing volume (tons/day), which is a record-high market share. To maintain this level, we intend to continue improving our technologies in response to customer needs.

## Universal Shipbuilding Corporation

### Orders for G-Series Next-Generation Large Bulk Carrier Reduces Greenhouse Gas Emissions by 25%

Universal Shipbuilding’s next-generation large bulk carrier, the G-Series, which reduces greenhouse gas emissions by 25%, scored its first order in December 2011. The carrier, which has a 209,000-ton deadweight capacity and is 300 meters in length, features exhaust heat-recovery technologies including hybrid turbocharger

generating system; a LEADGE-Bow that lessens wave resistance; SSD and Surfbulb energy-saving devices; and Sea-Navi, an optimum routing and monitoring system similar to a car navigation system. G-Series technologies are also applied to tankers and other ships. Universal Shipbuilding next aims to achieve a 50% reduction of greenhouse gas emissions by fiscal 2020.



The G-Series next-generation large bulk carrier reduces harmful greenhouse gas emissions.

## Perspective

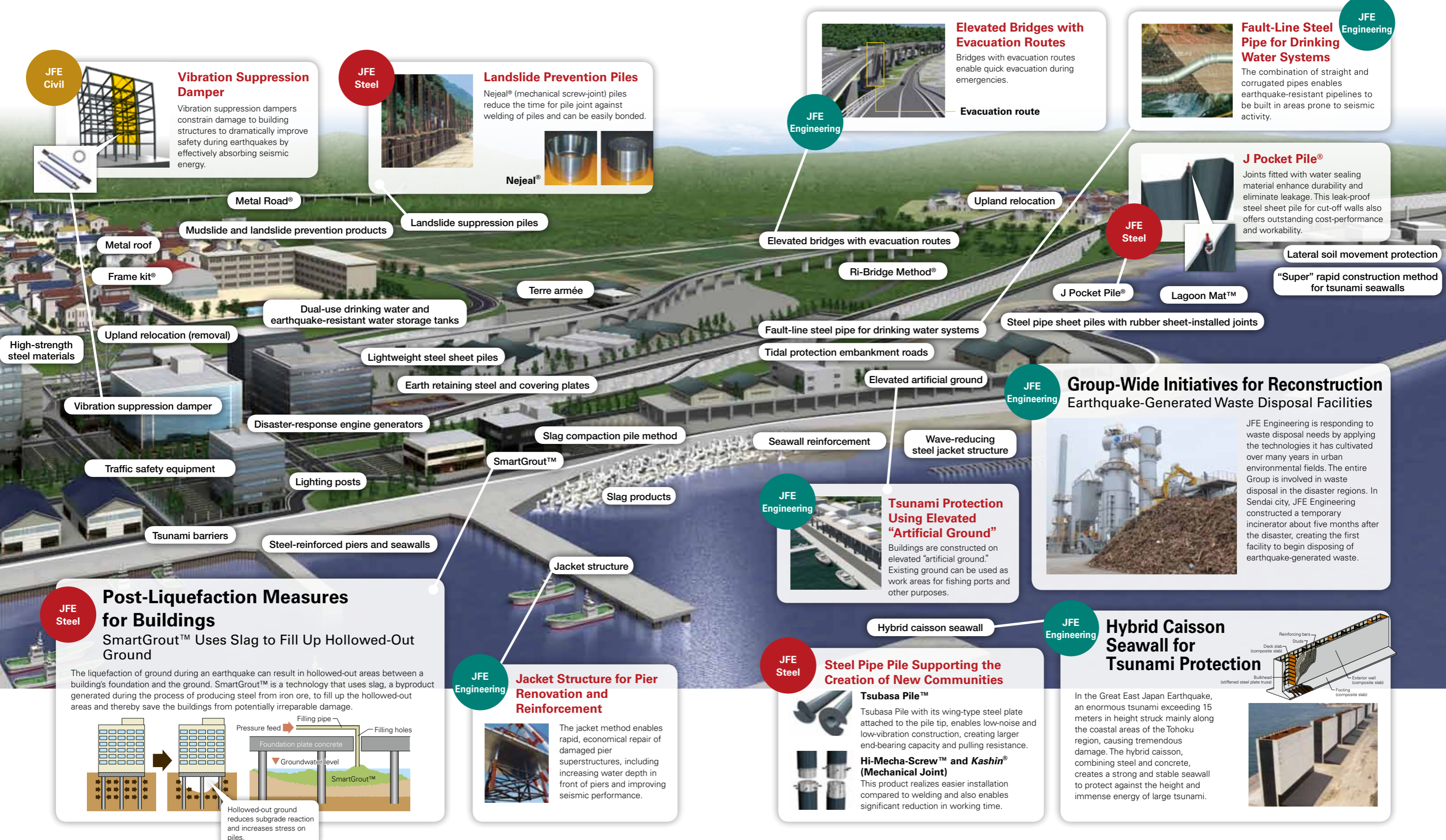


**Satoshi Masuda**  
Hydrodynamics Engineering Laboratory  
Technical Research Center  
Universal Shipbuilding

Our sales and design departments, working in unison with our research center, required just two years to develop a hull form that reduces greenhouse gas emissions by 25%. We believe that this extremely effective and innovative model can lead to major achievements that will be applicable in future development.

# Contributing to the Creation of Safe and Secure Communities

In the wake of the highly destructive Great East Japan Earthquake, which regrettably led to great loss of life, JFE is making an utmost effort to apply its diverse technologies and products to support the rapid reconstruction of the disaster region, helping to create safe and secure communities.



**Vibration Suppression Damper**  
Vibration suppression dampers constrain damage to building structures to dramatically improve safety during earthquakes by effectively absorbing seismic energy.

**Landslide Prevention Piles**  
Nejeal® (mechanical screw-joint) piles reduce the time for pile joint against welding of piles and can be easily bonded.

**Elevated Bridges with Evacuation Routes**  
Bridges with evacuation routes enable quick evacuation during emergencies.

**Fault-Line Steel Pipe for Drinking Water Systems**  
The combination of straight and corrugated pipes enables earthquake-resistant pipelines to be built in areas prone to seismic activity.

**J Pocket Pile®**  
Joints fitted with water sealing material enhance durability and eliminate leakage. This leak-proof steel sheet pile for cut-off walls also offers outstanding cost-performance and workability.

**Lateral soil movement protection**  
"Super" rapid construction method for tsunami seawalls

**Tsunami Protection Using Elevated "Artificial Ground"**  
Buildings are constructed on elevated "artificial ground." Existing ground can be used as work areas for fishing ports and other purposes.

**Group-Wide Initiatives for Reconstruction Earthquake-Generated Waste Disposal Facilities**  
JFE Engineering is responding to waste disposal needs by applying the technologies it has cultivated over many years in urban environmental fields. The entire Group is involved in waste disposal in the disaster regions. In Sendai city, JFE Engineering constructed a temporary incinerator about five months after the disaster, creating the first facility to begin disposing of earthquake-generated waste.

**Post-Liquefaction Measures for Buildings**  
**SmartGrout™ Uses Slag to Fill Up Hollowed-Out Ground**  
The liquefaction of ground during an earthquake can result in hollowed-out areas between a building's foundation and the ground. SmartGrout™ is a technology that uses slag, a byproduct generated during the process of producing steel from iron ore, to fill up the hollowed-out areas and thereby save the buildings from potentially irreparable damage.

Hollowed-out ground reduces subgrade reaction and increases stress on piles.

**Jacket Structure for Pier Renovation and Reinforcement**  
The jacket method enables rapid, economical repair of damaged pier superstructures, including increasing water depth in front of piers and improving seismic performance.

**Steel Pipe Pile Supporting the Creation of New Communities**  
**Tsubasa Pile™**  
Tsubasa Pile with its wing-type steel plate attached to the pile tip, enables low-noise and low-vibration construction, creating larger end-bearing capacity and pulling resistance.  
**Hi-Mecha-Screw™ and Kashin® (Mechanical Joint)**  
This product realizes easier installation compared to welding and also enables significant reduction in working time.

**Hybrid Caisson Seawall for Tsunami Protection**  
In the Great East Japan Earthquake, an enormous tsunami exceeding 15 meters in height struck mainly along the coastal areas of the Tohoku region, causing tremendous damage. The hybrid caisson, combining steel and concrete, creates a strong and stable seawall to protect against the height and immense energy of large tsunamis.



## New Possibilities for Steel and Related Materials: Exploring Broader Application throughout Society

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.

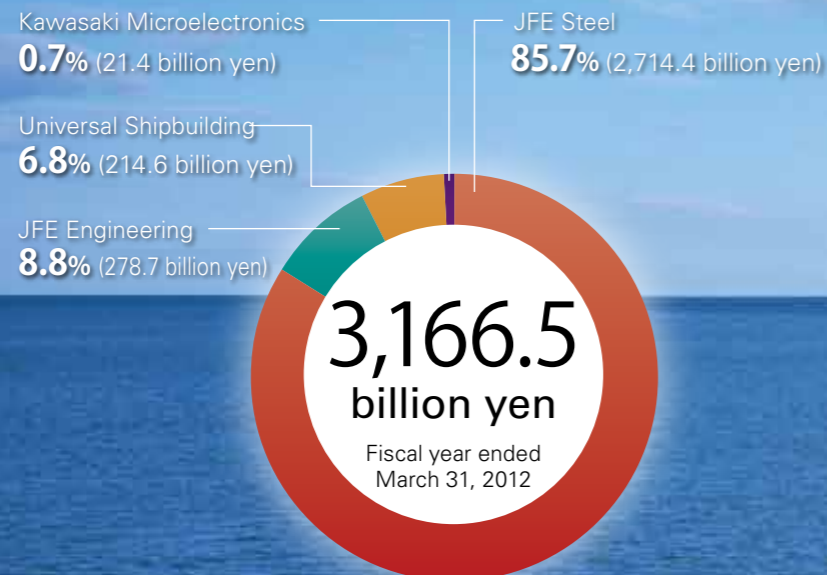
Holding Company

### 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% (-62.7 billion yen)

### Steel Business

#### JFE Steel Corporation

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

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 unique "Only One" and market-leading "Number One" branded products, plus a wide range of other added-value products incorporating the company's cutting-edge technologies and development know-how.



### 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 offers 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

Universal Shipbuilding, with its "fleet" of five shipyards and one technical research center, has become a leader in the construction and repair of large merchant ships, including tankers, special vessels such as AHTSVs, minesweepers and icebreakers.

Note: Universal Shipbuilding will merge with IHI Marine United and become Japan Marine United on October 1, 2012 (plan).



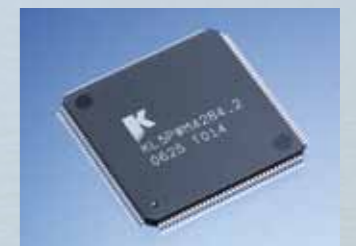
### LSI Business

#### 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.

Note: JFE Holdings agreed on April 20, 2012 to sell Kawasaki Microelectronics to MegaChips Corporation.





JFE Group  
TODAY 2012

## Steel Business Overview

# JFE Steel Corporation

JFE Steel is building a truly global manufacturing and distribution framework, with a special emphasis on unique “Only One” and market-leading “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. In addition to providing Japanese customers with stable supplies of high-end steel products, the company is increasingly supplying customers worldwide through expansion of high-quality steel production and distribution networks in the partnership with leading steelmakers overseas. JFE Steel also remains committed to enhancing communities and society at large through 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. The East and West steelworks feature large, world-class blast furnaces, which together have a combined crude steel production annual capacity of 33 million tons. The company's production network also includes the Chita Works, one of the world's leading steelworks for the production of specialty steel pipes and tubes, including tubular goods for the oil industry and line pipes.

### West Japan Works



Fukuyama District



Kurashiki District

### Chita Works



Chita Works

### East Japan Works



Chiba District



Keihin District



## Collaborating with Customers

JFE Steel, a longtime trendsetter in the steelmaking 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)

## Increased Ownership of Vital Resources and Development of New Technologies

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. Cognizant of this trend, JFE Steel is expanding its ownership of vital global resources. In 2009, JFE Steel acquired a stake in QCoal's Byerwen Coal Mine in Australia for coking coal. For iron ore, JFE Steel acquired an interest in Brazil's Nacional Minérios S.A. (NAMISA) in 2008 and raised this stake in June 2011. JFE Steel has expanded its ownership to 19% for coking coal and 18% for iron ore. Interests in vital resources will continue to be secured until ownership reaches 30% each for coking coal and iron ore. At the same time, JFE Steel is actively expanding its use of low-cost, low-grade raw materials with the help of newly developed technologies, including for the production of ferro-coke, an epoch-making blast furnace feed, at a pilot plant that began operation in November 2011.



## "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 and high-strength steel sheet for construction, among others. Specialty products 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



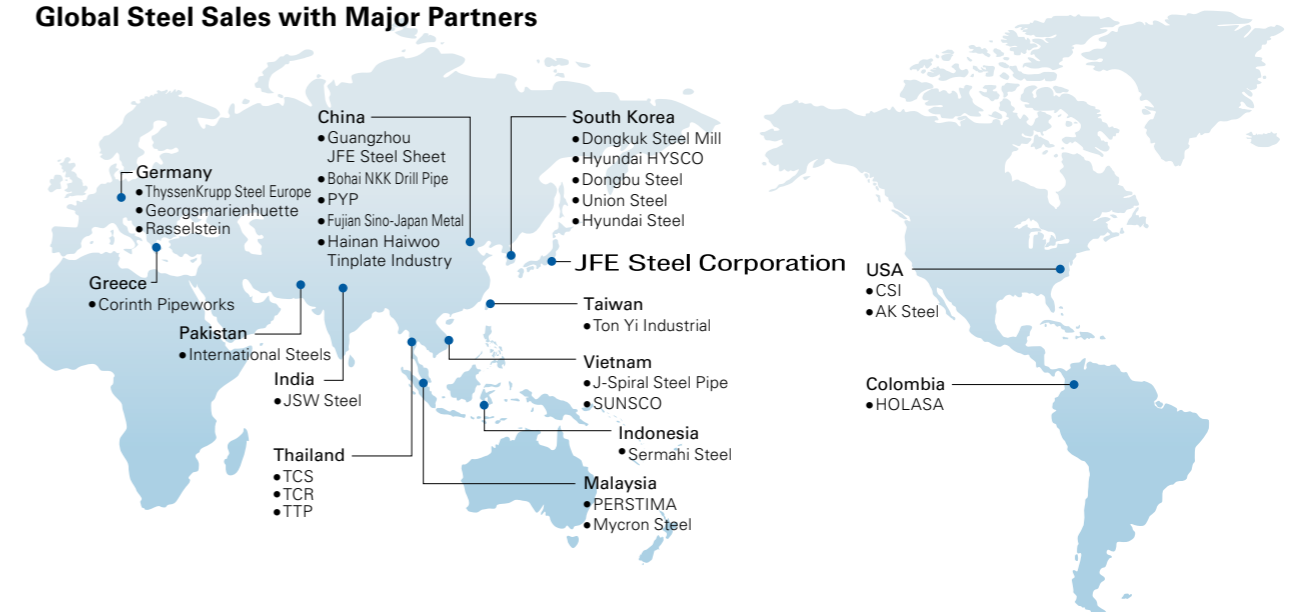
JAZ® highly lubricated automotive GA steel sheet

## Steadily Developing the Global Market

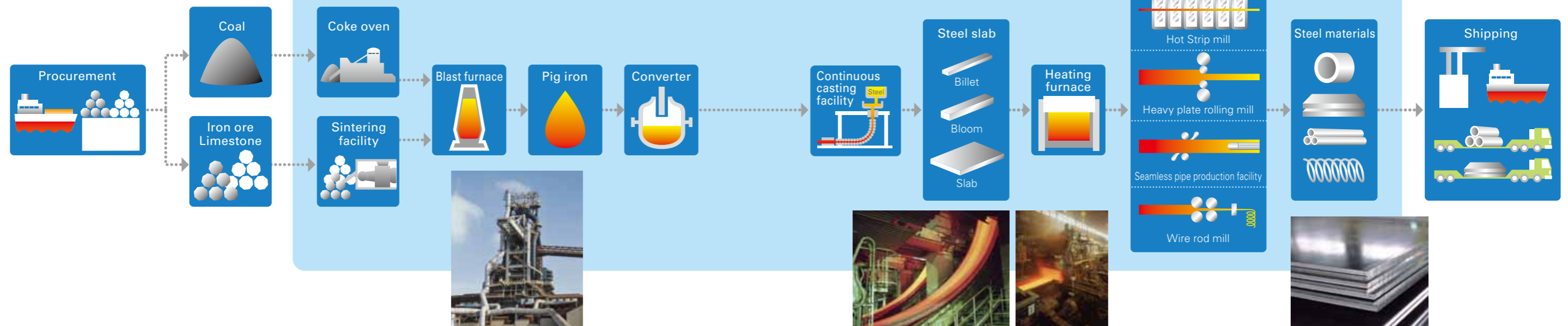
With the world's steel market poised to grow, JFE Steel is taking a variety of steps to ensure it is ideally positioned to respond. In markets such as China, India and Southeast Asia, production and distribution networks for high-end steel are being established through vertically specialized frameworks 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 market. Also, JFE Steel will undertake a feasibility study of establishing an integrated steelworks in Vietnam.

## Global Steel Sales with Major Partners



## JFE Steel Production Process



# JFE Steel Corporation 2011 Highlights



## Investment in Pakistani Maker of Cold-Rolled and Surface-Treated Steel Sheets

JFE Steel invested in International Steels Limited, a steel sheet manufacturer, to ensure stable supplies of hot-rolled steel sheets, the base sheets for cold-rolled steel sheets. JFE Steel also will provide technical support for manufacturing high-grade cold-rolled steel sheets.

## Alliance with Vietnam National University for Construction-Use Steel

JFE Steel and Vietnam National University's Ho Chi Minh City University of Technology concluded a memorandum of understanding on a technical alliance for construction-use steel. Through the collaboration, JFE Steel hopes to promote the construction of safe, secure and sound steel structures in Vietnam and thereby help to advance the country's infrastructure.



## Stake in Brazilian Iron Ore Producer Increased

JFE Steel acquired additional shares in Brazil's Nacional Minérios S.A. (NAMISA), a company in which it first acquired an interest in 2008. JFE Steel expects to make additional equity investments in competitive mines to secure stable, longtime supplies of iron ore.



## Startup of Pilot Plant for Manufacturing Groundbreaking Blast Furnace Feed Ferro-Coke

In the effort to develop manufacturing technologies for ferro-coke, a groundbreaking blast furnace feed that significantly reduces CO<sub>2</sub>, a pilot plant began operating at the Keihin District of the East Japan Works.



## Arc Welding Technology Earns Okochi Memorial Technology Prize

JFE Steel's J-STAR, the world's first ultra-low sputter straight (negative) polarity carbonic acid arc welding technology, earned the 58th fiscal 2011 Okochi Memorial Technology Prize. The prize honors outstanding achievements in the fields of industrial engineering and production technologies. JFE Steel has earned this award for three consecutive years.



## Confirmation of First Coral Larvae on Marine Block in 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. Marine Blocks have been installed in numerous locations in Japan and overseas. Recently, the first spawning of coral larvae on a Marine Block was confirmed.



## UOE Steel Pipe Manufacturing Expanded at Fukuyama District of West Japan Works

In line with a strategy of placing greater emphasis on high-grade UOE steel pipe (welded pipe), facilities were expanded for manufacturing high-strength, thick steel pipe at the Fukuyama District of the West Japan Works. An approximately threefold increase in sales volume of high-grade UOE steel pipe is targeted.

April 2011	May	June	August	September	October	November	December	January 2012	February	March
<ul style="list-style-type: none"> <li>Invested in Pakistani manufacturer of cold-rolled steel sheets and surface-treated steel sheets.</li> <li>JFE Steel's development of high-function steel sheets made with nano-surface control technologies for use in automobiles was awarded The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology and the Prize for Science and Technology.</li> </ul>	<ul style="list-style-type: none"> <li>Held festival at West Japan Works (Fukuyama District).</li> <li>Expanded and upgraded No. 3 blast furnace resumed operation at West Japan Works (Fukuyama District).</li> <li>Began operation of manufacturing facility for cold-rolled steel sheets at Guangzhou JFE Steel Sheet in China.</li> <li>JFE Steel decided to merge (April, 2012) four electric furnace businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Held 17th J1 Activity JFE Steel Family Meet.</li> <li>Acquired additional shares in Brazilian iron-ore producer.</li> </ul>	<ul style="list-style-type: none"> <li>East Japan Works (Chiba and Keihin districts) and West Japan Works (Kurashiki and Fukuyama districts) hosted summer-holiday plant tours.</li> </ul>	<ul style="list-style-type: none"> <li>First coral larvae on Marine Block confirmed in Miyakojima.</li> <li>Concluded comprehensive research cooperation agreement for steel slag research with Hiroshima University.</li> <li>Technology alliance for construction-use steel concluded with Ho Chi Minh City University of Technology.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented company-wide disaster drills.</li> <li>East Japan Works (Chiba and Keihin districts) held festivals.</li> </ul>	<ul style="list-style-type: none"> <li>Held 18th J1 Activity JFE Steel Family Meet.</li> <li>West Japan Works (Kurashiki District) and Chita Works held festivals.</li> <li>Pilot plant for production of ferro-coke, an epoch-making blast furnace feed, began operating.</li> </ul>	<ul style="list-style-type: none"> <li>Super-Sinter technology for CO<sub>2</sub> reduction awarded Iwatani Naoji Memorial Prize.</li> <li>UOE steel pipe manufacturing facilities expanded at West Japan Works (Fukuyama District).</li> <li>East Japan Works (Chiba District) and West Japan Works (Kurashiki and Fukuyama districts) host winter-holiday plant tours.</li> <li>Junior Soccer Christmas Cup held at Chita Works.</li> </ul>	<ul style="list-style-type: none"> <li>JFE Steel running team competed in New Year ekiden (road relay race).</li> </ul>	<ul style="list-style-type: none"> <li>JFE awarded Monozukuri Nippon Grand Award and METI Minister's Prize for development of high-function steel sheets (JAZ) for automobiles using nano-surface control.</li> <li>Raised stake in India-based JSW Steel, which became an equity-method affiliate.</li> <li>J-STAR ultra-low sputter straight (negative) polarity carbonic acid arc welding technology earned Okochi Memorial Technology Prize.</li> </ul>	<ul style="list-style-type: none"> <li>Earned Ichimura Industrial Award Contribution Prize for development of LP steel sheet manufacturing technology that reduces environmental impact of steel structures.</li> <li>Decided to implement a feasibility study of building and operating an integrated steelworks in Vietnam.</li> </ul>



## Engineering Business Overview JFE Engineering Corporation

### Advanced technologies that support energy savings and resource conservation

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

JFE Engineering, while leveraging its expertise in these highly beneficial technologies to address needs worldwide, also is placing a top priority on applying its know-how toward the enhancement of infrastructure in Japan.

**Sumiyuki Kishimoto**  
President & CEO

### JFE Engineering's Rapidly Expanding Business Overseas

In fiscal 2012, bases in 38 locations of 16 countries were reorganized into the Asia Pacific, China, North America and Europe divisions. Under this new structure, we aim to expand orders by quickly providing solutions to mounting urban environmental problems in specific countries. Additionally, the company's overseas procurement structure is being strengthened and alliances are being pursued proactively to localize business.

### JFE Engineering Overseas Offices



### Focusing on Projects to Develop Electrical Power

In Japan, JFE Engineering has newly established Power Creation Project Team to respond quickly to electric power shortages and a related new program for the buyback of renewable energy. The company is striving to identify and promote projects using its advanced technological capabilities in areas such as biomass and solar, geothermal and wind power.



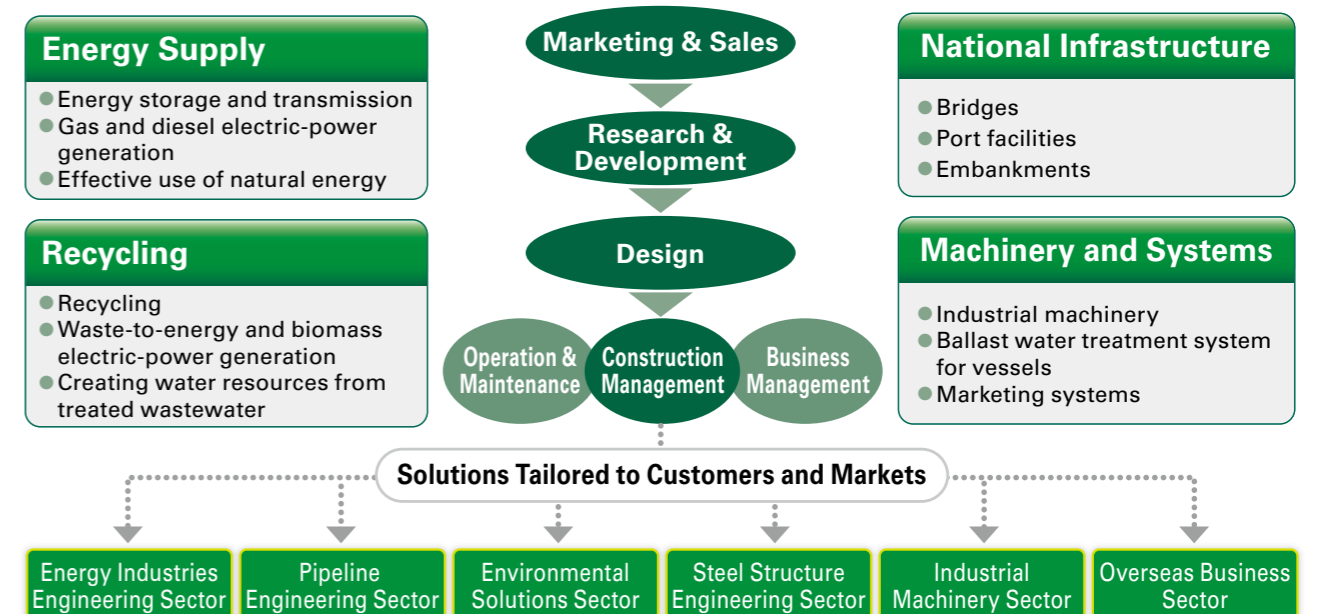
Wood biomass power plant

### New Product Development and Marketing

Expanded sales are being pursued for products such as the Ballast Ace ballast-water treatment system and GeoTOPIA air control system utilizing geothermal heat. Collaboration with other companies and research institutes will aim at accelerating the commercialization of new technologies for energy creation and savings.



Tower-type solar power generation demonstration plant (Yokohama Head Office)



# JFE Engineering Corporation 2011 Highlights



## World's First Multilevel Storage Facility for Containers Completed

A new multilevel storage facility for containers that enables the speedy handling of large volumes of incoming and outgoing cargo was completed at Tokyo Bay's Oi wharf. The port facilities have been significantly strengthened through this advanced, innovative solution.



## GeoTOPIA Air Conditioning System Based on Geothermal Heat Launched Commercially

Sales commenced for the GeoTOPIA air conditioning system based on geothermal heat. In fiscal 2011, all units were sold as planned and demonstration testing was carried out at three 7-Eleven convenience stores.

## Incinerators for Earthquake-Generated Waste Begin Operating in Miyagi Prefecture

JFE Engineering became the first company to operate incinerators for earthquake-generated waste in Sendai city. The company also built and began operating incinerators in the Miyagi-Tobu, Ishinomaki and Watarinatori blocks of the prefecture.



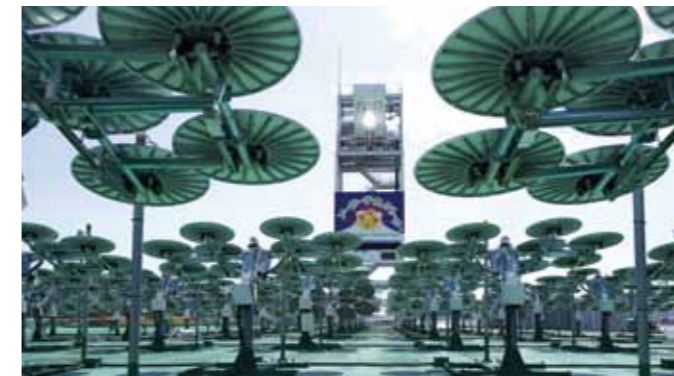
## Iwate-Hachimantai Geothermal Power Generation Feasibility Study Launched

The project, based in Japan's Hachimantai region, is aimed at starting commercial energy transmissions in 2015.



## RAPIDAS Quick Charger for Electric Vehicles Installed in the United States

The first installation of the RAPIDAS quick charger was completed on the West Coast of the United States. Also, Super RAPIDAS, which delivers an 80% charge to an electric vehicle in just eight minutes, was commercialized.



## Solar Power Plants Enter Verification Stage at New Solar Techno Park

A tower-type concentrating photovoltaic plant and a linear Fresnel-type power plant both began verification testing at JFE Engineering's newly opened Solar Techno Park in Yokohama. The innovative plants have attracted worldwide attention and are welcoming a steady stream of visitors.

## Energy-Saving Dormitory Completed

A new company-employee dormitory for bachelors was completed in front of Higashi Kanagawa Station near Yokohama. The facility, which also serves as a showroom, incorporates a variety of JFE Engineering innovations, including advanced energy-saving products.



## Power-Supply Equipment Installed at Onagawa Nuclear Power Station

JFE Engineering installed three 4,000 kW diesel-powered electric generators at Tohoku Electric Power's Onagawa Nuclear Power Station, helping to raise the safety of this nuclear power facility.



## Unique Cycle Tree Bicycle Parking System Launched

A new version of Cycle Tree, a multi-level system that parks bicycles automatically, began operation in front of Sagami Ono Station in Sagami-hara city. The facility's horizontal layout, a Cycle Tree first, accommodates nearly 2,400 bicycles.



## Waste-to-Energy Plant Completed in Tsingtao City, China

We completed and began test operation of an incinerator that converts waste into electric power in China's rapidly urbanizing Tsingtao city. A similar waste-to-energy incinerator is being built in the Jinshan District of Shanghai.



## Shinkan Bridge Completed in Myanmar

JFE Engineering supplied technological assistance, materials and machinery for the construction of Shinkan Bridge, which spans the Irrawaddy river flowing through Myanmar. The bridge was completed in January 2012.

### > April 2011

- Launched hands-free IP mobile phone for safe use in flammable-gas environments.
- Set up 20 chemical-supply bases worldwide for Ballast Ace ballast-water treatment system for ships.
- Concluded agreement with Yokohama for international technology cooperation.
- Completed Japan's longest hybrid caisson at Kinuura Port.
- Completed world's first multi-level container storage facility.

### May

- Held JFE Promenade observation tour.
- Sky Park in Singapore earned awards from two organizations.

### June

- Feasibility study of waste-to-energy plant commissioned by Malaysia's Environment Ministry.

### July

- Commenced study of geothermal power business in Hachimantai, Iwate Prefecture.
- Completed Yokohama Eco Clean.
- Obtained license for linear Fresnel solar thermal power technology.
- Commenced summer season power-saving project.

### August

- Commenced sales of our GeoTOPIA air conditioning system that uses geothermal heat.

### September

- Completed Super RAPIDAS super-quick charger for electric vehicles.
- Started operating incinerators for earthquake-generated waste in Sendai city.
- Began selling system that supplies electricity and water in times of emergency.

### October

- First horizontal-configuration Cycle Tree facility completed at Sagami Ono Station in Kanagawa Prefecture.
- Solar power plants enter verification at newly opened Solar Techno Park at Yokohama Head Office.
- Eco-friendly dormitory completed in Higashi Kanagawa, Kanagawa Prefecture.
- Verification of GeoTOPIA air conditioning system begins at three 7-Eleven stores.
- Tsu Works attained no-accident record of 4 million hours.

### November

- World's first hot dip galvanizing recycling technology developed.
- Order for mega-solar power plant received from Ota, Gunma Prefecture.
- Verification of RAPIDAS Quick Charger for electric vehicles began at Lawson convenience stores.

### December

- Orders received for earthquake-waste incinerators in three locations of Miyagi Prefecture.
- Joined Environment Ministry's study of Super RAPIDAS super quick charger for electric vehicles.
- Waste-to-energy plant completed in Tsingtao, China.
- Launched public demonstration of fault-line steel pipes for drinking water.
- Shinanogawa Bridge connection completed.

### > January 2012

- Began study of hot spring binary power generation at Tsuchiyu hot spring in Fukushima Prefecture.
- Shinkan Bridge completed in Myanmar.

### February

- Installed large-capacity power-supply equipment at Onagawa Nuclear Power Station.
- Order received for RAPIDAS quick charger system for electric vehicles in the United States.

### March

- Publicly displayed steel shells for tsunami seawall at Hamaoka Nuclear Power Station.
- Large waste-to-energy plant in Kumamoto brought total orders for these plants to four in fiscal 2011.



## Shipbuilding Business Overview Universal Shipbuilding Corporation

Universal Shipbuilding develops eco-minded ships for diverse customers worldwide, thereby contributing both to the global economy and environmental protection.

Following a planned merger with IHI Marine United in autumn 2012, the newly organized company expects to hasten its development of an enhanced range of ships that incorporate energy-saving, environmentally responsive technologies. Through continued research and development initiatives, the company looks forward to offering environmentally conscious ships that are truly appreciated by customers.

**Shinjiro Mishima**  
President & CEO

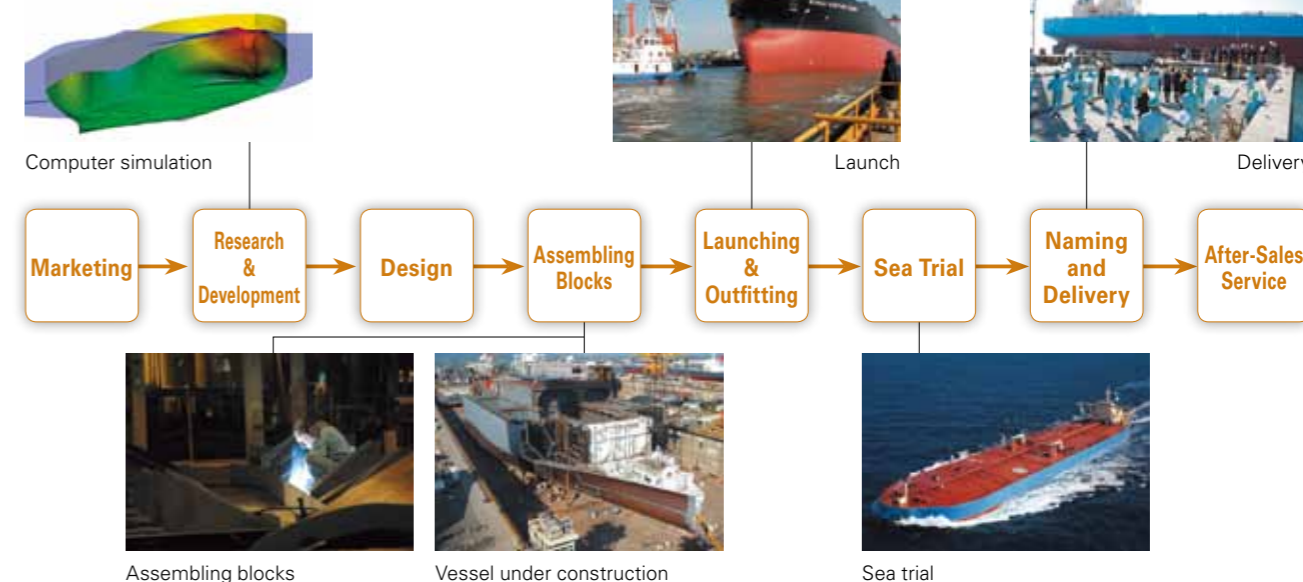
### Anticipating Customers' Needs

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 capabilities to analyze the specific uses and routes of each ship and then develop specifications to satisfy exact needs. The company has already produced several innovative 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.



MAERSK HAYAMA VLCC delivered in November 2011

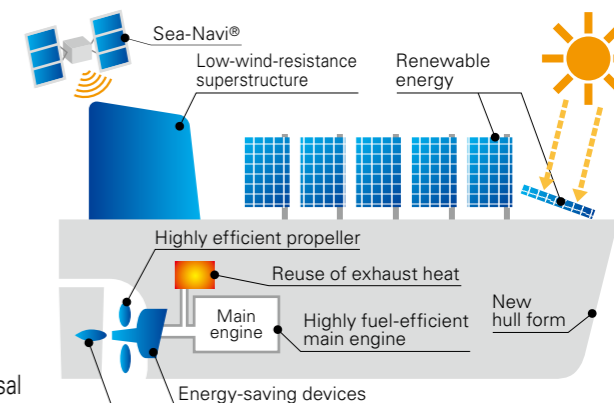
### Shipbuilding Process



### Developing Eco-Minded 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 (an acutely streamlined bow that reduces wave resistance); the SSD and the Surf-bulb (energy-saving devices); Sea-Navi® (similar to car navigation systems); low-wind-resistance superstructures; and a hybrid electric-generation system.

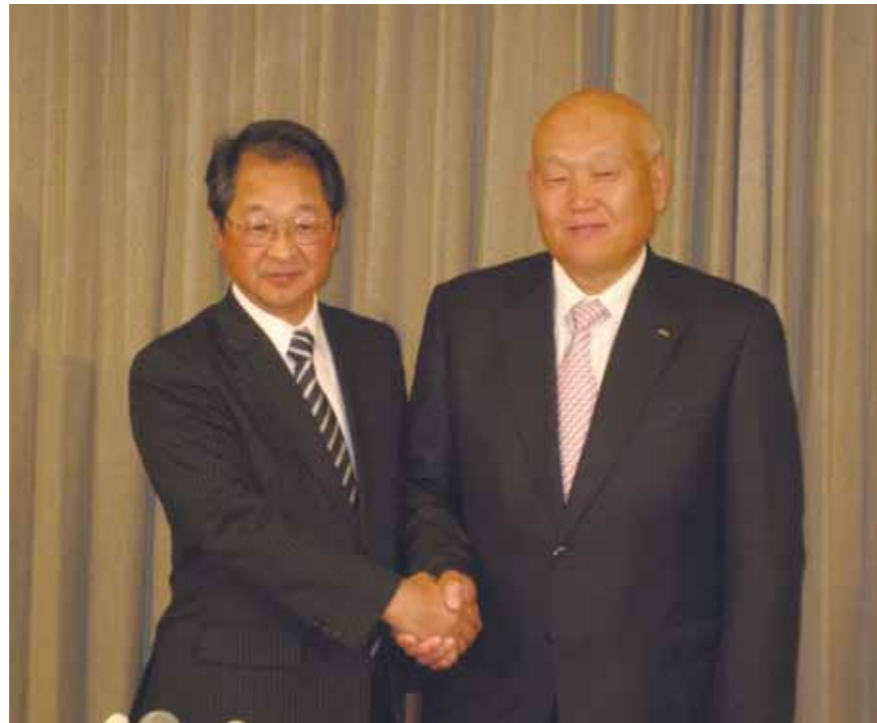
In fiscal 2011, we commenced marketing of our G-Series next-generation large bulk carrier, which reduces greenhouse gas emissions by 25%, and received orders for numerous ships. Universal Shipbuilding's technological capabilities have earned high acclaim, including the 2012 Japan Society of Naval Architects and Ocean Engineers' Award for a hybrid electric-generation system developed jointly with NYK Line and Mitsubishi Heavy Industries, Ltd.



# Universal Shipbuilding Corporation 2011 Highlights

## Joint Press Conference with IHIMU

Universal Shipbuilding signed a memorandum of understanding with IHI Marine United (IHIMU) to merge operations, aiming to secure long-term growth as an industry leader in terms of total strength.



## 297,000-Ton Ore Carrier Delivered by Ariake Shipyard

The company delivered the *ORE SAO LUIS*, which is now helping to meet the globally expanding demand for the transportation of iron ore. This vessel, which transports iron ore from Brazil, is equipped with unique energy-saving devices, including the Surf-Bulb and SSD.



## First FRP Minesweeper Delivered

Delivery of the *Enoshima* marked an important shift from the use of wood to fiberglass for minesweepers. As Japan's sole manufacturer of minesweepers, we will continue support the military with these key vessels.



## Completion of Third Painting Shop in Tsu Shipyard

We completed a new painting shop fitted for the Performance Standard for Protective Coatings (PSPC). The shop is one of the company's latest capital investments in environmental countermeasures.



## Repair of Ship Damaged in Great East Japan Earthquake

Work performed at the Innoshima Shipyard from May to July restored sections of the outer hull of the *Coral Ring*, a ship damaged by the earthquake and tsunami on March 11, 2011.



## Shigeyoshi Koga Awarded for Outstanding Service

Pipe welder Shigeyoshi Koga was chosen for the autumn Medal of Honor, which is presented to persons to recognize their longtime contributions to society and dedication to their work.

## Construction of Multipurpose Offshore Support Ships

Following the construction of multipurpose anchor-handling tug supply vessels (AHTSVs) at its Keihin Shipyard, Universal Shipbuilding built Japan's first platform supply vessel (PSV) at its Maizuru Shipyard in August 2011. AHTSVs and PSVs, which support drilling rigs and production platforms, are helping to meet growing needs due to the global boom in offshore oilfield development.

Photo: POSH CHAMPION



April 2011	May	June	July	August	September	October	November	December	January 2012	February	March
<ul style="list-style-type: none"> <li>Established new Technology Administrative Division at head office.</li> <li>Tsu Works began overseeing operation of the Kumozu Hotel &amp; Conference complex.</li> </ul>	<ul style="list-style-type: none"> <li>Signed agreement for Goliath cranes at Ariake Shipyard.</li> <li>Restoration of <i>Coral Ring</i> vessel damaged in March 11 disaster began at Innoshima Shipyard.</li> <li>Tsu Shipyard completed <i>SHIN KOHO</i>, world's first vessel with hybrid turbocharged electric generator.</li> </ul>	<ul style="list-style-type: none"> <li>Energy Conservation Conference held.</li> </ul>	<ul style="list-style-type: none"> <li>Third specialized painting plant compliant with PSPC standard completed in Tsu city.</li> <li>General Manager Matsumoto of Technology Research Center received Maritime Merit Award.</li> <li>Joined Construction and Transport Ministry's Investigative Commission on New Shipbuilding Policies.</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated structural design functions at head office.</li> <li>Developed G-Series large bulk carrier that reduces greenhouse gas emissions by 25%.</li> <li>Maizuru Shipyard completed Japan's first platform supply vessel.</li> </ul>	<ul style="list-style-type: none"> <li>850-ton auto-drive vehicle for transportation of large-scale blocks completed at Ariake Shipyard.</li> <li>Ariake Family Festival held.</li> <li>Conducted disaster, earthquake and tsunami evacuation drills at head office.</li> </ul>	<ul style="list-style-type: none"> <li>Shipbuilder Leaders' Conference (JECKU) held on Cheju Island, Korea.</li> </ul>	<ul style="list-style-type: none"> <li>Shigeyoshi Koga of Ariake Shipyard awarded Yellow Ribbon Medal for outstanding service.</li> <li>Keihin Shipyard received letter of appreciation from Japan Maritime Self-Defense Force.</li> <li>Maizuru Shipyard received order for four platform supply vessels.</li> <li>The <i>Chichijima</i>, our second fiberglass minesweeper, launched at Keihin Shipyard.</li> </ul>	<ul style="list-style-type: none"> <li>Order received for Hakone Lake Ashi Sightseeing Cruise vessel (replica medieval ship). Contracts concluded for two ships financed by Japan Bank for International Cooperation.</li> <li>Developed multiple G-Series large bulk carriers that cut greenhouse gas emissions by 25%.</li> </ul>	<ul style="list-style-type: none"> <li>Signed memorandum of understanding and held joint press conference concerning merger with IHI Marine United.</li> </ul>	<ul style="list-style-type: none"> <li>Technology Research Center's General Manager Matsumoto received Monozukuri Japan Award in maritime category.</li> </ul>	<ul style="list-style-type: none"> <li><i>Enoshima</i>, first fiberglass minesweeper, completed at Maizuru Shipyard.</li> <li>Iron-ore Carrier <i>ORE SAO LUIS</i> delivered by Ariake Shipyard.</li> </ul>



# Contributing to Sustainable Societies

The JFE Group's environmental policy stipulates a firm commitment to protecting the global environment and 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 delivers products and services of the highest quality to support customers' high competitiveness and meet other diverse needs. To underpin these efforts, the company acquires and maintains all necessary technical certifications, adopts best-practice management systems and operates facilities to collaborate with customers in joint-development activities.



Training session

## 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 business results promptly. Plant tours and investor briefings are among the many methods employed to facilitate understanding of the Group's business and related activities.



Plant tour for JFE Group shareholders

## Employees

The JFE Group actively hires new recruits and maintains healthy labor-management relations in its commitment to provide a dynamic working environment for a diverse workforce. The Group is an equal-opportunity employer for women and persons with physical disabilities, and encourages respect for human rights. Occupational safety and the maintenance of a favorable work environment for employees are top priorities.



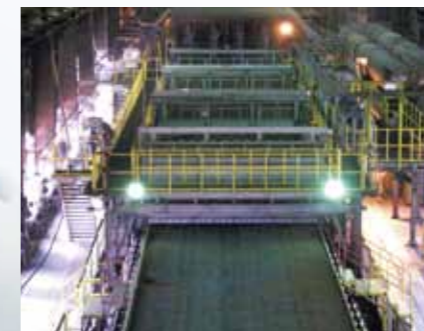
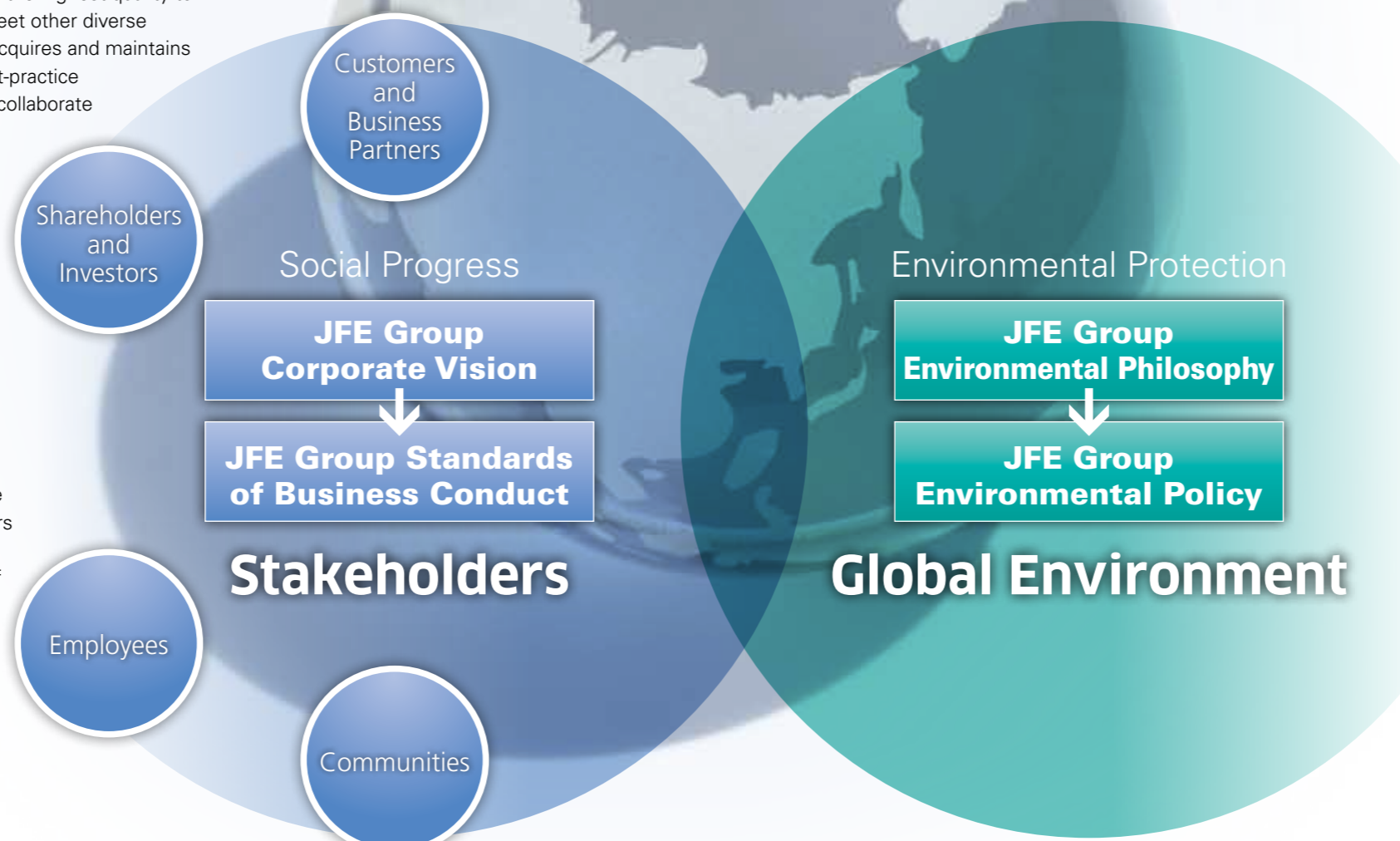
Cultivating human resources

## Community Residents

The JFE Group supports 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



Super SINTER™ line

## Process Enhancement

The JFE Group is steadily reducing the environmental impact of its 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 fiscal 1973 and fiscal 2011, the JFE Group reduced its energy intensity by 35% and currently is ranked among the world's most energy-efficient steel producers.

## Products and Services

The JFE Group works closely with customers from the development stage to supply high-performance steel products, aiming to spur economic growth while also achieving lower-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.



Ultra-large off-carrier Unimax ore carrier

## Communities and Stakeholders

The JFE Group reaches out to 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 host communities.



Eco-Products 2011

## JFE Group CSR Report (to be issued in September 2012)

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

[www.jfe-holdings.co.jp/en/environment](http://www.jfe-holdings.co.jp/en/environment)

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



## Members of the Board

- Hajime Bada ..... President & CEO
- Eiji Hayashida ..... Member of the Board
- Shinichi Okada ..... Member of the Board
- Sumiyuki Kishimoto ..... Member of the Board
- Akimitsu Ashida\* ..... Member of the Board
- Masafumi Maeda\* ..... Member of the Board

\* External

## Corporate Auditors

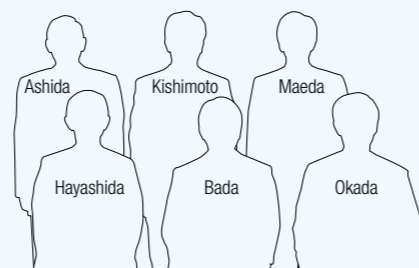
- Toshikuni Yamazaki ..... Full-time Auditor
- Sakio Sasamoto ..... Full-time Auditor
- Hiroyuki Itami\* ..... Corporate Auditor
- Seiji Sugiyama\* ..... Corporate Auditor

\* External

## Corporate Officers

- Hajime Bada ..... CEO  
President & CEO
- Shinichi Okada ..... Supervision of the General Administration Dept.  
Executive Vice President and the Comptrollers' Dept.  
In charge of the Corporate Planning Dept. and Finance and Investor Relations Dept.
- Yasushi Yamamura ..... In charge of the Comptrollers' Dept.  
Vice President
- Masashi Terahata ..... In charge of the General Administration Dept.  
Vice President

## Members of the Board



# Profile of JFE Group

## Holding Company

As of April 1, 2012

**Name:** JFE Holdings, Inc.  
**Head Office:** 2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011  
**Phone:** +81-3-3597-4321 (main)

**Establishment:** September 27, 2002  
**Paid-in Capital:** 147.1 billion yen  
**URL:** <http://www.jfe-holdings.co.jp/en/>

## Operating and Main Group Companies

As of April 1, 2012

### Steel Business

Net Sales: 2,714.4 billion yen Employees: 42,571

#### JFE Steel Corporation

Head Office: Chiyoda-ku, Tokyo

#### Group companies

- **Electric Furnaces and Bar/Shape Steel**
  - JFE Bars & Shapes 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.\*
  - JSW Steel Limited.\*
  - 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\*
- Brazil Japan Niobium Corporation\*
- JFE Shoji Holdings, Inc.\*
- Gecoss Corporation\*
- Exa Corporation\*

### Engineering Business

Net Sales: 278.7 billion yen Employees: 7,443

#### 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: 214.6 billion yen Employees: 3,647

#### Universal Shipbuilding Corporation

Head Office: Kawasaki

#### Group companies

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

### LSI Business

Net Sales: 21.4 billion yen Employees: 424

#### KAWASAKI MICROELECTRONICS, INC.

Head Office: Chiba

#### Group companies

- Kawasaki Microelectronics America, Inc.

\* Equity-method affiliate

Net Sales: Fiscal 2011 results (Fiscal year ended March 31, 2012)  
 Employees: as of April 1, 2012

# Financial Information

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Note: Fiscal year (FY) 2011 in the following pages refers to the period beginning April 1, 2011 and ending March 31, 2012.

## Five-year Financial Summary

JFE Holdings, Inc. and Consolidated Subsidiaries

	Millions of yen				
	FY2011	FY2010	FY2009	FY2008	FY2007
<b>Operating results (for the year)</b>					
Net sales	¥ 3,166,511	¥ 3,195,560	¥ 2,844,356	¥ 3,908,282	¥ 3,539,802
Operating income	44,779	182,810	88,775	407,806	510,518
Ordinary income before interest and discount expenses <sup>*1</sup>	68,075	182,268	88,752	423,068	520,996
Ordinary income	52,977	165,805	69,289	400,562	502,974
Net income	(36,633)	58,608	45,659	194,229	261,845
Comprehensive income	(19,268)	29,086	—	—	—
<b>Cash flows (for the year)</b>					
Cash flows from operating activities	110,087	302,603	389,548	243,712	438,257
Cash flows from investing activities	(205,494)	(302,282)	(236,725)	(350,136)	(297,209)
Free cash flows <sup>*2</sup>	(95,406)	320	152,822	(106,424)	141,048
Cash flows from financing activities	96,078	23,073	(321,617)	260,065	(125,473)
<b>Financial position (at the year end)</b>					
Total assets	4,007,263	3,976,644	3,918,317	4,328,901	4,170,080
Property, plant and equipment, net	1,644,884	1,712,318	1,800,170	1,843,232	1,843,483
Net assets	1,456,340	1,478,310	1,465,898	1,378,041	1,541,680
Debt outstanding	1,593,633	1,496,413	1,468,472	1,768,747	1,281,936
<b>Capital investment and others</b>					
Capital investment	197,449	180,492	225,268	289,582	223,644
Depreciation and amortization	238,316	246,666	248,374	247,774	220,459
R&D expenses	34,243	33,523	36,082	41,938	39,483
Crude steel output (thousand tons)	29,235	31,472	28,352	29,280	34,273
Employees	54,133	54,400	53,892	56,547	56,688
<b>Ratio</b>					
Return on sales (ROS) <sup>*3</sup>	1.70%	5.20%	2.40%	10.20%	14.20%
Return on assets (ROA) <sup>*4</sup>	1.70%	4.60%	2.20%	10.00%	13.00%
Return on equity (ROE) <sup>*5</sup>	(2.60%)	4.10%	3.30%	13.70%	17.50%
Equity capital ratio	35.30%	36.20%	36.30%	30.90%	35.90%
Debt-to-equity ratio <sup>*6</sup>	112.70%	104.10%	103.20%	132.40%	85.70%
Debt-to-equity ratio <sup>*7</sup>	83.50%	76.50%	75.50%	98.90%	61.40%
Yen					
<b>Per share data</b>					
Net income	¥ (68.71)	¥ 110.73	¥ 86.35	¥ 355.64	¥ 450.58
Net assets	2,627.63	2,708.51	2,689.88	2,526.26	2,619.11
Cash dividends	20	35	20	90	120

Notes: <sup>\*1</sup> Ordinary income before interest and discount expenses = Ordinary income + interest and discount expenses  
<sup>\*2</sup> Free cash flows = Cash flows from operating activities + cash flows from investing activities  
<sup>\*3</sup> Return on sales (ROS) = Ordinary income/net sales × 100  
<sup>\*4</sup> Return on assets (ROA) = (Ordinary income+interest and discount expenses)/total assets×100

<sup>\*5</sup> Return on equity (ROE) = Net income/total shareholders' equity × 100  
<sup>\*6</sup> Debt-to-equity ratio = Debt outstanding/total shareholders' equity × 100  
<sup>\*7</sup> 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, 2012 and 2011

	Millions of yen		Thousands of
	FY2011	FY2010	U.S. dollars (Note 1)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 4 and 12).....	¥ 50,382	¥ 49,591	\$ 612,994
Notes and accounts receivable (Note 12).....	580,669	547,922	7,064,959
Allowance for doubtful accounts.....	(306)	(398)	(3,723)
Merchandise and finished goods.....	259,934	254,612	3,162,598
Work in process.....	49,295	52,589	599,768
Raw materials and supplies.....	405,649	359,321	4,935,503
Deferred tax assets (Note 15).....	59,624	43,996	725,441
Other current assets (Note 7).....	101,007	93,757	1,228,945
<b>Total current assets</b> .....	<b>1,506,257</b>	<b>1,401,391</b>	<b>18,326,523</b>
<b>Property, plant and equipment (Note 7):</b>			
Land (Note 8).....	517,944	520,408	6,301,788
Buildings and structures.....	1,731,921	1,658,903	21,072,162
Machinery and equipment.....	5,435,297	5,411,660	66,130,879
Construction in progress.....	49,236	71,499	599,050
Subtotal.....	7,734,399	7,662,471	94,103,893
Accumulated depreciation.....	(6,089,514)	(5,950,153)	(74,090,692)
<b>Property, plant and equipment, net</b> .....	<b>1,644,884</b>	<b>1,712,318</b>	<b>20,013,188</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 12).....	329,906	273,109	4,013,943
Investments in securities (Notes 5, 7 and 12).....	305,704	381,688	3,719,479
Allowance for doubtful accounts.....	(5,379)	(5,647)	(65,445)
Deferred tax assets (Note 15).....	105,183	64,064	1,279,754
Other assets (Note 7).....	120,707	149,720	1,468,633
<b>Total investments and other assets</b> .....	<b>856,121</b>	<b>862,934</b>	<b>10,416,364</b>
<b>Total assets</b> .....	<b>¥ 4,007,263</b>	<b>¥ 3,976,644</b>	<b>\$ 48,756,089</b>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of
	FY2011	FY2010	U.S. dollars (Note 1)
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 12).....	¥ 9,722	¥ 8,382	\$ 118,286
Current portion of long-term debt (Notes 6 and 12).....	233,662	281,269	2,842,949
Commercial paper (Note 12).....	—	27,994	—
Notes and accounts payable (Note 12).....	337,643	353,865	4,108,078
Other current liabilities.....	353,312	368,163	4,298,722
<b>Total current liabilities</b> .....	<b>934,340</b>	<b>1,039,675</b>	<b>11,368,049</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 12).....	1,350,248	1,178,766	16,428,373
Accrued retirement benefits (Note 9).....	123,714	127,605	1,505,219
Reserve for rebuilding furnaces.....	33,298	35,420	405,134
Deferred tax liabilities (Notes 8 and 15).....	18,368	21,098	223,482
Allowance for losses on specific waste disposal business.....	32,003	35,572	389,378
Other long-term liabilities.....	58,949	60,194	717,228
<b>Total long-term liabilities</b> .....	<b>1,616,581</b>	<b>1,458,658</b>	<b>19,668,828</b>
<b>Total liabilities</b> .....	<b>2,550,922</b>	<b>2,498,334</b>	<b>31,036,890</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, 2012			
614,438,399 shares as of March 31, 2011.....	147,143	147,143	1,790,278
Capital surplus.....	647,121	651,964	7,873,476
Retained earnings.....	1,011,124	1,081,697	12,302,275
Treasury stock, at cost:			
76,213,077 shares as of March 31, 2012			
83,667,772 shares as of March 31, 2011.....	(378,442)	(415,890)	(4,604,477)
<b>Total shareholders' equity</b> .....	<b>1,426,945</b>	<b>1,464,913</b>	<b>17,361,540</b>
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains and losses on securities.....	31,185	7,878	379,425
Net unrealized gains and losses on hedges.....	(1,780)	29	(21,657)
Revaluation reserve for land, net of tax (Note 8).....	13,806	12,097	167,976
Translation adjustments.....	(55,900)	(47,324)	(680,131)
<b>Total accumulated other comprehensive income</b> .....	<b>(12,689)</b>	<b>(27,318)</b>	<b>(154,386)</b>
Minority interests (Note 8).....	42,084	40,715	512,033
<b>Total net assets</b> .....	<b>1,456,340</b>	<b>1,478,310</b>	<b>17,719,187</b>
<b>Total liabilities and net assets</b> .....	<b>¥ 4,007,263</b>	<b>¥ 3,976,644</b>	<b>\$ 48,756,089</b>

## Consolidated Statements of Operations

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2011	FY2010	FY2011
Net sales	¥ 3,166,511	¥ 3,195,560	\$ 38,526,718
Cost of sales	2,879,558	2,765,721	35,035,381
Gross profit	286,952	429,838	3,491,324
Selling, general and administrative expenses	242,173	247,028	2,946,502
Operating income	44,779	182,810	544,822
Non-operating income (expenses):			
Interest income	393	837	4,781
Interest expense	(15,098)	(16,463)	(183,696)
Dividends received	7,839	5,933	95,376
Equity in earnings of affiliates	27,253	16,312	331,585
Other, net	(12,188)	(23,625)	(148,290)
Ordinary income	52,977	165,805	644,567
Extraordinary loss (Note 19)	(124,828)	(50,537)	(1,518,773)
Income (loss) before income taxes and minority interests	(71,850)	115,267	(874,193)
Income taxes (Note 15):			
Current	28,488	32,060	346,611
Deferred	(66,621)	21,349	(810,573)
	(38,132)	53,410	(463,949)
Income (loss) before minority interests	(33,717)	61,856	(410,232)
Minority interests	(2,915)	(3,247)	(35,466)
Net income (loss)	¥ (36,633)	¥ 58,608	\$ (445,711)

	Yen		U.S. dollars (Note 1)
	FY2011	FY2010	FY2011
Basic net income (loss) per share	¥ (68.71)	¥ 110.73	\$ (0.83)
Diluted net income per share	—	109.68	—
Cash dividends per share	20.00	35.00	0.24

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2011	FY2010	FY2011
Income (loss) before minority interests	¥ (33,717)	¥ 61,856	\$ (410,232)
Other comprehensive income (Note 16):			
Net unrealized gains and losses on securities	24,933	(25,057)	303,358
Net unrealized gains and losses on hedges	(1,707)	103	(20,768)
Revaluation reserve for land, net of tax	1,443	—	17,556
Translation adjustments	(2,332)	(7,295)	(28,373)
Share of other comprehensive income of affiliates accounted for using equity method	(7,887)	(522)	(95,960)
Total other comprehensive income	14,449	(32,770)	175,799
Comprehensive income	¥ (19,268)	¥ 29,086	\$ (234,432)
Total comprehensive income attributable to:			
Shareholders of the parent	¥ (22,071)	¥ 26,145	\$ (268,536)
Minority interests	2,803	2,940	34,103

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 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 April 1, 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>

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 2011</b> .....	<b>¥ 147,143</b>	<b>¥ 651,964</b>	<b>¥ 1,081,697</b>	<b>¥ (415,890)</b>	<b>¥ 1,464,913</b>
Cash dividends.....			(13,284)		(13,284)
Net loss.....			(36,633)		(36,633)
Acquisition of treasury stock.....				(290)	(290)
Disposal of treasury stock.....		(4,843)	(22,475)	37,738	10,420
Increase by change of scope of consolidation.....			1,856		1,856
Decrease by change of scope of consolidation.....			(37)		(37)
Transfer from land revaluation account.....			1		1
Net changes in items other than shareholders' equity...					—
Total changes in items during the year.....		(4,843)	(70,573)	37,447	(37,968)
<b>Balance at March 31, 2012</b> .....	<b>¥ 147,143</b>	<b>¥ 647,121</b>	<b>¥ 1,011,124</b>	<b>¥ (378,442)</b>	<b>¥ 1,426,945</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 April 1, 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>
Cash dividends.....							(13,284)
Net loss.....							(36,633)
Acquisition of treasury stock.....							(290)
Disposal of treasury stock.....							10,420
Increase by change of scope of consolidation.....							1,856
Decrease by change of scope of consolidation.....							(37)
Transfer from land revaluation account.....							1
Net changes in items other than shareholders' equity...	23,306	(1,810)	1,708	(8,575)	14,629	1,368	15,998
Total changes in items during the year.....	23,306	(1,810)	1,708	(8,575)	14,629	1,368	(21,970)
<b>Balance at March 31, 2012</b> .....	<b>¥ 31,185</b>	<b>¥ (1,780)</b>	<b>¥ 13,806</b>	<b>¥ (55,900)</b>	<b>¥ (12,689)</b>	<b>¥ 42,084</b>	<b>¥ 1,456,340</b>

# Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2012 and 2011

	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 April 1, 2011</b>	<b>\$ 1,790,278</b>	<b>\$ 7,932,400</b>	<b>\$ 13,160,931</b>	<b>\$ (5,060,104)</b>	<b>\$ 17,823,494</b>
Cash dividends			(161,625)		(161,625)
Net loss			(445,711)		(445,711)
Acquisition of treasury stock				(3,528)	(3,528)
Disposal of treasury stock		(58,924)	(273,451)	459,155	126,779
Increase by change of scope of consolidation			22,581		22,581
Decrease by change of scope of consolidation			(450)		(450)
Transfer from land revaluation account			12		12
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(58,924)	(858,656)	455,615	(461,954)
<b>Balance at March 31, 2012</b>	<b>\$ 1,790,278</b>	<b>\$ 7,873,476</b>	<b>\$ 12,302,275</b>	<b>\$ (4,604,477)</b>	<b>\$ 17,361,540</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 April 1, 2011</b>	<b>\$ 95,851</b>	<b>\$ 352</b>	<b>\$ 147,183</b>	<b>\$ (575,787)</b>	<b>\$ (332,376)</b>	<b>\$ 495,376</b>	<b>\$ 17,986,494</b>
Cash dividends							(161,625)
Net loss							(445,711)
Acquisition of treasury stock							(3,528)
Disposal of treasury stock							126,779
Increase by change of scope of consolidation							22,581
Decrease by change of scope of consolidation							(450)
Transfer from land revaluation account							12
Net changes in items other than shareholders' equity	283,562	(22,022)	20,781	(104,331)	177,990	16,644	194,646
Total changes in items during the year	283,562	(22,022)	20,781	(104,331)	177,990	16,644	(267,307)
<b>Balance at March 31, 2012</b>	<b>\$ 379,425</b>	<b>\$ (21,657)</b>	<b>\$ 167,976</b>	<b>\$ (680,131)</b>	<b>\$ (154,386)</b>	<b>\$ 512,033</b>	<b>\$ 17,719,187</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2011	FY2010	FY2011
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ (71,850)	¥ 115,267	\$ (874,193)
Adjustments for:			
Depreciation and amortization	238,316	246,666	2,899,574
(Decrease) increase in reserves	(17,446)	6,305	(212,264)
Interest and dividend income	(8,232)	(6,770)	(100,158)
Interest expense	15,098	16,463	183,696
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(52,867)	(74,259)	(643,229)
Changes in inventories	(48,101)	(42,275)	(585,241)
Changes in notes and accounts payable	(23,823)	(9,212)	(289,852)
Other, net	118,694	30,729	1,444,141
Subtotal	149,788	282,913	1,822,460
Interest and dividend income received	14,923	12,746	181,567
Interest paid	(15,285)	(16,858)	(185,971)
Income taxes paid	(39,339)	23,801	(478,634)
<b>Net cash provided by operating activities</b>	<b>110,087</b>	<b>302,603</b>	<b>1,339,420</b>
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(193,470)	(186,618)	(2,353,936)
Proceeds from sales of property, plant and equipment	4,676	11,398	56,892
Payments for purchases of investments in securities	(26,797)	(130,303)	(326,037)
Proceeds from sales of investments in securities	12,696	999	154,471
Other, net	(2,598)	2,240	(31,609)
<b>Net cash used in investing activities</b>	<b>(205,494)</b>	<b>(302,282)</b>	<b>(2,500,231)</b>
<b>Cash flows from financing activities:</b>			
(Decrease) increase in short-term borrowings, net	(26,434)	15,034	(321,620)
Increase in long-term debt	405,540	210,850	4,934,176
Repayments of long-term debt	(281,511)	(198,442)	(3,425,124)
Payments for purchases of treasury stock	(296)	(779)	(3,601)
Payments for dividends by parent company	(13,456)	(21,324)	(163,718)
Other, net	12,235	17,734	148,862
<b>Net cash provided by financing activities</b>	<b>96,078</b>	<b>23,073</b>	<b>1,168,974</b>
Effects of exchange rate change on cash and cash equivalents	(2,807)	(7,024)	(34,152)
Net (decrease) increase in cash and cash equivalents	(2,135)	16,369	(25,976)
Cash and cash equivalents at beginning of the year	49,043	32,342	596,702
Increase in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	3,583	332	43,594
Cash and cash equivalents at end of the year (Note 4)	¥ 50,492	¥ 49,043	\$ 614,332

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2012 and 2011

## 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 2012 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, 2012, which was ¥82.19 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 194 domestic and foreign subsidiaries (the "Group" as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

47 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 the 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

Inventories are stated at cost determined by the weighted average method. These inventories with lower profitability are written down to their net realizable value.

### (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 the 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) 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.

### (j) 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.

### (k) 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.

### (l) Leases

Leased assets under finance leases that do not transfer ownership to the lessees are capitalized and depreciated to a residual value of zero using the straight-line method with useful life defined by the terms of the contract.

### (m) Revenue Recognition for Long-term Construction-type Contracts

The percentage-of-completion method (cost-comparison method to estimate of the percentage of completion) is applied for construction contracts, where the percentage of completion can be reliably estimated. For other contracts, the completed-contract method is applied.

### (n) Consolidated Tax Return

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

### (o) Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Net income (loss) used in the computation was ¥(36,633) million (\$ (445,711) thousand) and ¥58,608 million and the average number of shares used in the computation was 533,144 thousand and 529,298 thousand for the years ended March 31, 2012 and 2011, 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

### Accounting Changes and Error Corrections

Effective from the fiscal year ended March 31, 2012, the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standard Boards of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.



4. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Cash and deposits	¥ 50,382	¥ 49,591	\$ 612,994
Time deposits with a maturity of more than three months	(140)	(547)	(1,703)
Short-term loans receivable included in other current assets	250	—	3,041
	¥ 50,492	¥ 49,043	\$ 614,332

5. Securities

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2012 and 2011:

Marketable:

	Millions of yen					
	Held-to-maturity securities					
	FY2011			FY2010		
	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	¥ 201	¥ 1	¥ 199	¥ 203	¥ 3
Book value exceeding estimated fair value:						
Bonds	—	—	—	—	—	—
Total	¥ 199	¥ 201	¥ 1	¥ 199	¥ 203	¥ 3

	Millions of yen					
	Available-for-sale securities					
	FY2011			FY2010		
	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	¥ 191,397	¥ 116,110	¥ 75,287	¥ 181,585	¥ 99,105	¥ 82,480
Bonds	20	19	0	20	19	0
Sub total	191,418	116,130	75,287	181,606	99,125	82,481
Cost exceeding book value:						
Equity securities	87,067	109,403	(22,336)	159,854	223,653	(63,798)
Bonds	—	—	—	—	—	—
Sub total	87,067	109,403	(22,336)	159,854	223,653	(63,798)
Total	¥ 278,485	¥ 225,533	¥ 52,951	¥ 341,461	¥ 322,779	¥ 18,682

	Thousands of U.S. dollars		
	Held-to-maturity securities		
	FY2011		
	Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)
Book value lower than estimated fair value:			
Bonds	\$ 2,421	\$ 2,445	\$ 12
Book value exceeding estimated fair value:			
Bonds	—	—	—
Total	\$ 2,421	\$ 2,445	\$ 12

	Thousands of U.S. dollars		
	Available-for-sale securities		
	FY2011		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$ 2,328,713	\$ 1,412,702	\$ 916,011
Bonds	243	231	0
Sub total	2,328,969	1,412,945	916,011
Cost exceeding book value:			
Equity securities	1,059,338	1,331,098	(271,760)
Bonds	—	—	—
Sub total	1,059,338	1,331,098	(271,760)
Total	\$ 3,388,307	\$ 2,744,044	\$ 644,251

The impairment losses on available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥89,200 million (\$1,085,290 thousand) and ¥4,787 million, respectively.

6. Long-term Debt

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
1.44% yen bonds, due October 2011	¥ —	¥ 20,000	\$ —
1.33% yen bonds, due April 2012	20,000	19,998	243,338
1.33% yen bonds, due November 2012	29,999	29,999	364,995
First issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement) (Note 1)	300,000	300,000	3,650,079
1.29% yen bonds, due June 2011	—	40,000	—
1.278% yen bonds, due September 2013	40,000	40,000	486,677
1.351% yen bonds, due September 2015	20,000	20,000	243,338
0.927% yen bonds, due July 2014	40,000	40,000	486,677
0.708% yen bonds, due March 2015	40,000	40,000	486,677
0.572% yen bonds, due May 2015	60,000	60,000	730,015
0.858% yen bonds, due May 2017	20,000	20,000	243,338
1.326% yen bonds, due June 2021	30,000	—	365,007
0.455% yen bonds, due September 2016	20,000	—	243,338
0.686% yen bonds, due September 2018	15,000	—	182,503
3.50% yen bonds (issued by JFE Steel), due May 2012	20,000	20,000	243,338
Loans, principally from banks and insurance companies, due 2013-2029	928,911	810,038	11,301,995
Less current portion	(233,662)	(281,269)	(2,842,949)
Total long-term debt	¥ 1,350,248	¥ 1,178,766	\$ 16,428,373

Note 1:  
Details of convertible bonds are as follows:  
1) Type of shares  
Common stock  
2) Issue value of stock acquisition rights  
Non-assessable  
3) Conversion price  
¥8,530 per Share  
4) Total principal amount issued  
¥300,000 million

5) Total principal amount issued of new shares by exercise of rights  
No exercise  
6) The rate of granting of stock acquisition rights  
100%  
7) 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, 2012 and 2011, pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Property, plant and equipment.....	¥ 66,226	¥ 66,283	\$ 805,767
Investments in securities.....	1,109	4,919	13,493
Other assets.....	129	133	1,569

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 ¥9,500 million [\$115,585 thousand] and ¥10,200 million on the financial statements of individual consolidated subsidiaries at March 31, 2012 and 2011, respectively).

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 ¥17,182 million (\$209,052 thousand) and ¥16,495 million on March 31, 2012 and 2011, 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, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Retirement benefit obligation...	¥ (282,288)	¥ (404,345)	\$ (3,434,578)
Fair value of plan assets.....	143,711	255,343	1,748,521
Unfunded retirement benefit obligation.....	(138,577)	(149,002)	(1,686,056)
Unrecognized net retirement benefit obligation at transition..	88	118	1,070
Unrecognized actuarial losses..	24,034	51,207	292,420
Unrecognized prior service cost (Note 1).....	1,151	(2,050)	14,004
Net amount.....	(113,302)	(99,726)	(1,378,537)
Prepaid cost.....	10,411	27,878	126,669
Accrued retirement benefits.....	¥ (123,714)	¥ (127,605)	\$ (1,505,219)

Note 1: JFE Steel Corporation changed its bylaws in accordance with a reduction in the 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 resulting from the bylaws change is deducted from "Retirement benefit obligation" at March 31, 2011 in the above table.

Note 2: Effective October 2011, tax-qualified pension plans of certain consolidated subsidiaries of the Company were abolished and transitioned to defined benefit corporate pension plans and defined contribution pension plans. Effects of this transition for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	FY2011	FY2011
Decrease in retirement benefit obligation....	¥ 96,409	\$ 1,173,001
Decrease in plan assets.....	(93,246)	(1,134,517)
Unrecognized actuarial losses.....	(19,489)	(237,121)
Unrecognized prior service cost.....	721	8,772
Decrease in prepaid cost.....	13,335	162,246
Net increase in accrued retirement benefits...	¥ (2,269)	\$ (27,606)

Plan assets to be transferred to the defined contribution pension plans amounted to ¥93,246 million (\$1,134,517 thousand) and the entire amount was transferred from the tax-qualified pension plans during the year ended March 31, 2012.

Retirement and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Service cost (Note 1).....	¥ 14,566	¥ 16,839	\$ 177,223
Interest cost.....	5,140	6,408	62,538
Expected return on plan assets..	(1,743)	(4,738)	(21,206)
Amortization:			
Net retirement benefit obligation at transition....	7	7	85
Actuarial losses.....	10,081	14,750	122,654
Prior service cost.....	(738)	(930)	(8,979)
Accrued retirement benefit cost...	27,312	32,335	332,303
Net loss on transfer to defined contribution pension plans, etc. ...	15,677	—	190,740
Other (Note 2).....	2,107	370	25,635
Total.....	¥ 45,097	¥ 32,706	\$ 548,692

Notes: 1. Accrued retirement benefit cost incurred by consolidated subsidiaries applying a simplified method to calculate retirement benefit obligation is included under "service cost." 2. Premiums on defined contribution plans for certain consolidated subsidiaries 3. Other than the above, the Company and its subsidiaries paid incremental benefits of ¥1,538 million (\$18,712 thousand) and ¥1,026 million for the years ended March 31, 2012 and 2011, respectively.

The rationale for calculations of retirement benefit obligations for the years ended March 31, 2012 and 2011 is as follows:

	FY2011	FY2010
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 0.8%	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.)

10. Contingencies

At March 31, 2012 and 2011, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Guarantees of debt.....	¥ 26,255	¥ 28,439	\$ 319,442
Trade notes discounted.....	60	70	730
Trade notes endorsed.....	205	167	2,494

At March 31, 2012 and 2011, commitments outstanding for loan commitments were ¥781 million (\$9,502 thousand).

11. Leases

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

As discussed in Note 2 (l), 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, 2012 and 2011 for non-cancelable operating leases are summarized as follows:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
	2012	2011
2013.....	¥ 1,591	\$ 19,357
2014 and thereafter.....	3,619	44,032
Total.....	¥ 5,211	\$ 63,401
2011		
2012.....	¥ 1,490	
2013 and thereafter.....	4,966	
Total.....	¥ 6,457	

12. Financial Instruments

(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 purposes.

(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 the 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 accounts receivable and accounts payable are denominated in foreign currency and exposed to foreign currency risk. Foreign exchange forward contracts are utilized in a timely manner 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 so as 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 with 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 cases where market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in cases where 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, 2012 and 2011, 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					
	FY2011			FY2010		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥ 50,382	¥ 50,382	¥ —	¥ 49,591	¥ 49,591	¥ —
Notes and accounts receivable	580,669	580,669	—	547,922	547,922	—
Investments in securities:						
Held-to-maturities	199	201	1	199	203	3
Available-for-sale securities	278,485	278,485	—	341,461	341,461	—
<b>Total assets</b>	<b>¥ 909,737</b>	<b>¥ 909,739</b>	<b>¥ 1</b>	<b>¥ 939,174</b>	<b>¥ 939,177</b>	<b>¥ 3</b>
Notes and accounts payable	¥ 337,643	¥ 337,643	¥ —	¥ 353,865	¥ 353,865	¥ —
Short-term borrowings	9,722	9,722	—	8,382	8,382	—
Current portion of long-term debt	233,662	233,998	336	281,269	281,269	—
Commercial paper	—	—	—	27,994	27,994	—
Long-term debt:						
Bonds	285,000	286,317	1,317	289,997	291,637	1,639
Bonds with stock acquisition rights	300,000	303,870	3,870	300,000	307,710	7,710
Long-term borrowings	765,248	765,667	419	588,768	590,531	1,763
<b>Total liabilities</b>	<b>¥ 1,931,277</b>	<b>¥ 1,937,219</b>	<b>¥ 5,942</b>	<b>¥ 1,850,279</b>	<b>¥ 1,861,391</b>	<b>¥ 11,112</b>
Derivative transactions <sup>*1</sup> :						
Hedge accounting not applied	¥ (13)	¥ (13)	¥ —	¥ (77)	¥ (77)	¥ —
Hedge accounting applied	(965)	(965)	—	1,940	1,940	—
<b>Total derivative transactions</b>	<b>¥ (979)</b>	<b>¥ (979)</b>	<b>¥ —</b>	<b>¥ 1,863</b>	<b>¥ 1,863</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	FY2011		
	Carrying value	Fair value	Difference
Cash and deposits	\$ 612,994	\$ 612,994	\$ —
Notes and accounts receivable	7,064,959	7,064,959	—
Investments in securities:			
Held-to-maturities	2,421	2,445	12
Available-for-sale securities	3,388,307	3,388,307	—
<b>Total assets</b>	<b>\$ 11,068,706</b>	<b>\$ 11,068,730</b>	<b>\$ 12</b>
Notes and accounts payable	\$ 4,108,078	\$ 4,108,078	\$ —
Short-term borrowings	118,286	118,286	—
Current portion of long-term debt	2,842,949	2,847,037	4,088
Long-term debt:			
Bonds	3,467,575	3,483,598	16,023
Bonds with stock acquisition rights	3,650,079	3,697,165	47,086
Long-term borrowings	9,310,719	9,315,817	5,097
<b>Total liabilities</b>	<b>\$ 23,497,712</b>	<b>\$ 23,570,008</b>	<b>\$ 72,295</b>
Derivative transactions <sup>*1</sup> :			
Hedge accounting not applied	\$ (158)	\$ (158)	\$ —
Hedge accounting applied	(11,741)	(11,741)	—
<b>Total derivative transactions</b>	<b>\$ (11,911)</b>	<b>\$ (11,911)</b>	<b>\$ —</b>

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

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 5. "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 are 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 the 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 is 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
	FY2011	FY2010	FY2011
		Carrying value	
Unlisted stock	¥ 26,979	¥ 31,455	\$ 328,251
Unlisted bond	21	42	255
Subscription certificates	17	8,528	206

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							
	FY2011				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	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	¥ 50,382	¥ —	¥ —	¥ —	¥ 49,591	¥ —	¥ —	¥ —
Notes and accounts receivable	431,692	1,121	—	—	429,166	48	—	—
Securities:								
Held-to-maturities	—	200	—	—	—	200	—	—
Available-for-sale securities with maturities	19	21	—	—	21	41	—	—
Total	¥ 482,095	¥ 1,343	¥ —	¥ —	¥ 478,778	¥ 290	¥ —	¥ —

	Thousands of U.S. dollars			
	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	\$ 612,994	\$ —	\$ —	\$ —
Notes and accounts receivable	5,252,366	13,639	—	—
Securities:				
Held-to-maturities	—	2,433	—	—
Available-for-sale securities with maturities	231	255	—	—
Total	\$ 5,865,616	\$ 16,340	\$ —	\$ —

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

	Millions of yen					
	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	¥ 9,722	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term debt	233,662	—	—	—	—	—
Long-term debt:						
Bonds	—	40,000	80,000	80,000	20,000	65,000
Bonds with stock acquisition rights	—	300,000	—	—	—	—
Long-term borrowings	—	243,285	176,028	67,256	161,251	117,426
Total	¥ 243,384	¥ 583,285	¥ 256,028	¥ 147,256	¥ 181,251	¥ 182,426

	Millions of yen					
	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

	Thousands of U.S. dollars					
	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	\$ 118,286	\$ —	\$ —	\$ —	\$ —	\$ —
Current portion of long-term debt	2,842,949	—	—	—	—	—
Long-term debt:						
Bonds	—	486,677	973,354	973,354	243,338	790,850
Bonds with stock acquisition rights	—	3,650,079	—	—	—	—
Long-term borrowings	—	2,960,031	2,141,720	818,299	1,961,929	1,428,713
Total	\$ 2,961,236	\$ 7,096,787	\$ 3,115,074	\$ 1,791,653	\$ 2,205,268	\$ 2,219,564

13. Derivatives and Hedging Activities

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	FY2011		FY2010		FY2011	
	Contracted amount	Recognized loss	Contracted amount	Recognized loss	Contracted amount	Recognized loss
Interest rate swap agreements:						
To receive floating and pay fixed rates	¥ 890	¥ (13)	¥ 2,670	¥ (77)	\$ 10,828	\$ (158)
Total		¥ (13)		¥ (77)		\$ (158)

Derivative transactions for which hedge accounting is applied for the years ended March 31, 2012 and 2011 were as follows:

(a) Currency related

Hedged item	Millions of yen				Thousands of U.S. dollars		
	FY2011		FY2010		FY2011		
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value	
Benchmark method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 143	¥ 2	¥ 112	¥ 10	\$ 1,739	\$ 24
EUR (Selling)	Accounts receivable (forecasted transactions)	476	(3)	336	25	5,791	(36)
HKD (Selling)	Accounts receivable (forecasted transactions)	—	—	95	7	—	—
USD (Buying)	Accounts payable (forecasted transactions)	86,757	(837)	90,093	1,407	1,055,566	(10,183)
EUR (Buying)	Accounts receivable (forecasted transactions)	113	1	1,835	16	1,374	12
GBP (Buying)	Accounts payable (Forecasted transactions)	20	1	822	39	243	12
SWK (Buying)	Accounts payable (Forecasted transactions)	—	—	47	5	—	—
NOK (Buying)	Accounts payable (forecasted transactions)	—	—	2,266	363	—	—
KRW (Buying)	Accounts payable (forecasted transactions)	99	7	71	(6)	1,204	85
SGD (Buying)	Accounts payable (forecasted transactions)	—	—	10	0	—	—
Foreign currency option contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	3,384	(69)	10,568	42	41,172	(839)
USD (Buying)	Accounts receivable (forecasted transactions)	1,692	(17)	10,568	(9)	20,586	(206)
Allocation method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable	5,030	Note 1	2,841	Note 1	61,199	Note 1
USD (Buying)	Accounts payable and deposits received	18,799	Note 1	379	Note 1	228,726	Note 1
EUR (Buying)	Accounts payable and deposits received	4,196	Note 1	969	Note 1	51,052	Note 1
GBP (Buying)	Accounts payable and deposits received	304	Note 1	6	Note 1	3,698	Note 1
NOK (Buying)	Accounts payable and deposits received	536	Note 1	1,108	Note 1	6,521	Note 1
KRW (Buying)	Accounts payable and deposits received	134	Note 1	155	Note 1	1,630	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		
	FY2011		FY2010		FY2011		
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value	
Benchmark method							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Long-term debt	¥ 881	¥ (50)	¥ 951	¥ 38	\$ 10,719	\$ (608)
Special treatment							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Bonds and long-term debt	114,700	Note 1	16,000	Note 1	1,395,546	Note 1
To receive floating and pay floating		1,900	Note 1	1,900	Note 1	23,117	Note 1
To receive fixed rates and pay floating		294,180	Note 1	336,300	Note 1	3,579,267	Note 1

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 method 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 ¥34,243 million (\$416,632 thousand) and ¥33,523 million for the years ended March 31, 2012 and 2011, respectively.

15. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2012 and 2011 are presented below:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Deferred tax assets:			
Loss carry-forwards	¥ 115,428	¥ 47,096	\$ 1,404,404
Accrued retirement benefits	40,376	39,155	491,251
Loss on impairment of property, plant and equipment	14,691	19,614	178,744
Accrued bonuses	12,280	14,641	149,409
Allowance for losses on specific waste disposal business	11,493	14,584	139,834
Others	76,692	81,622	933,106
Total deferred tax assets	270,962	216,714	3,296,775
Valuation allowance	(67,158)	(81,292)	(817,106)
Deferred tax assets net of valuation allowances	203,804	135,421	2,479,669
Deferred tax liabilities:			
Net unrealized gains and losses on securities	(17,664)	(6,582)	(214,916)
Reserve for advanced depreciation of noncurrent assets	(8,294)	(10,548)	(100,912)
Reserve for special repairs	(7,714)	(7,147)	(93,855)
Others	(12,857)	(11,826)	(156,430)
Total deferred tax liabilities	(46,530)	(36,104)	(566,127)
Net deferred tax assets	¥ 157,273	¥ 99,317	\$ 1,913,529

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2012 and 2011 was as follows:

	FY2011	FY2010
Statutory tax rate	40.0%	40.0%
Valuation allowance and others	13.1	6.3
Effective tax rate	53.1%	46.3%

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" on December 2, 2011, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from 40.0% to 38.0% for temporary differences expected to reverse in the years beginning from April 1, 2012 to April 1, 2014, and to 35.0% for temporary differences expected to reverse in the years beginning from April 1, 2015 and thereafter.

As a result of this change in statutory tax rate, deferred tax assets, net of deferred tax liabilities, decreased by ¥9,542 million (\$116,096 thousand) and income taxes – deferred and net unrealized gains and losses on securities increased by ¥12,321 million (\$149,908 thousand) and ¥2,786 million (\$33,897 thousand), respectively, and net unrealized gains and losses on hedges decreased by ¥7 million (\$85 thousand). Also, deferred tax liabilities related to land revaluation decreased by ¥1,671 million (\$20,330 thousand) and revaluation reserve for land, net of tax, increased by the same amount.

**16. Comprehensive Income**

Reclassifications and adjustments and income tax effects attributable to other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	FY2011	FY2011
Net unrealized gains and losses on securities:		
Gains (losses) arising during the year.....	¥ (43,061)	\$ (523,920)
Reclassification adjustments.....	79,199	963,608
Amounts before income tax effects.....	36,138	439,688
Income tax effects.....	(11,204)	(136,318)
Net unrealized gains and losses on securities	24,933	303,358
Net unrealized gains and losses on hedges:		
Gains (losses) arising during the year.....	(920)	(11,193)
Reclassification adjustments.....	(1,721)	(20,939)
Amounts before income tax effects.....	(2,642)	(32,145)
Income tax effects.....	934	11,363
Net unrealized gains and losses on hedges...	(1,707)	(20,768)
Revaluation reserve for land, net of tax:		
Income tax effects.....	1,443	17,556
Revaluation reserve for land, net of tax ...	1,443	17,556
Translation adjustments:		
Adjustments arising during the year.....	(2,332)	(28,373)
Translation adjustments.....	(2,332)	(28,373)
Share of other comprehensive income of affiliates accounted for using equity method:		
Gains (losses) arising during the year.....	(9,343)	(113,675)
Reclassification adjustments.....	(16)	(194)
Amounts before income tax effects.....	(9,359)	(113,870)
Income tax effects.....	1,471	17,897
Share of other comprehensive income of affiliates accounted for using equity method..	(7,887)	(95,960)
Total other comprehensive income.....	¥ 14,449	\$ 175,799

**17. Segment Information**

**(a) Overview of reportable segments**

The Group consists of four (five in FY2010) operating companies that are JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation and KAWASAKI MICROELECTRONICS, INC. (JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation, JFE Urban Development Corporation and KAWASAKI MICROELECTRONICS, INC. in FY2010) under the Company as a holding company. Each of the four (five in FY2010) operating companies conducts its business based on an operating system specifically designed for its industry.

Therefore, the Group consists of four (five in FY2010) reportable segments based on these four (five in FY2010) operating companies (consolidated basis) that are “Steel”, “Engineering”, “Shipbuilding” and “LSI” (“Steel”, “Engineering”, “Shipbuilding”, “Urban development” and “LSI” in FY2010) 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. (FY2010)

“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
	FY2011	FY2010	FY2011
Sales:			
Steel			
Sales to customers.....	¥ 2,662,706	¥ 2,694,316	\$ 32,396,958
Intersegment sales or transfers.....	51,771	53,107	629,894
Total.....	¥ 2,714,477	¥ 2,747,423	\$ 33,026,852
Engineering			
Sales to customers.....	¥ 267,869	¥ 253,644	\$ 3,259,143
Intersegment sales or transfers.....	10,908	11,468	132,716
Total.....	¥ 278,777	¥ 265,112	\$ 3,391,860
Shipbuilding			
Sales to customers.....	¥ 214,522	¥ 210,753	\$ 2,610,074
Intersegment sales or transfers.....	109	59	1,326
Total.....	¥ 214,632	¥ 210,812	\$ 2,611,412
Urban Development			
Sales to customers.....	¥ —	¥ 12,669	\$ —
Intersegment sales or transfers.....	—	710	—
Total.....	¥ —	¥ 13,379	\$ —
LSI			
Sales to customers.....	¥ 21,413	¥ 24,176	\$ 260,530
Intersegment sales or transfers.....	—	—	—
Total.....	¥ 21,413	¥ 24,176	\$ 260,530
Total			
Sales to customers.....	¥ 3,166,511	¥ 3,195,560	\$ 38,526,718
Intersegment sales or transfers.....	62,789	65,345	763,949
Total.....	¥ 3,229,300	¥ 3,260,905	\$ 39,290,667
Adjustments			
Sales to customers.....	¥ —	¥ —	\$ —
Intersegment sales or transfers.....	(62,789)	(65,345)	(763,949)
Total.....	¥ (62,789)	¥ (65,345)	\$ (763,949)
Consolidated			
Sales to customers.....	¥ 3,166,511	¥ 3,195,560	\$ 38,526,718
Intersegment sales or transfers.....	—	—	—
Total.....	¥ 3,166,511	¥ 3,195,560	\$ 38,526,718

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Segment income (loss):			
Steel.....	¥ 25,773	¥ 134,294	\$ 313,578
Engineering.....	14,361	12,207	174,729
Shipbuilding.....	12,216	17,191	148,631
Urban Development.....	—	(736)	—
LSI.....	1,535	1,693	18,676
Total.....	53,887	164,650	655,639
Adjustments.....	(909)	1,154	(11,059)
Consolidated.....	¥ 52,977	¥ 165,805	\$ 644,567

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Segment assets:			
Steel.....	¥ 3,620,528	¥ 3,652,312	\$ 44,050,711
Engineering.....	287,469	260,556	3,497,615
Shipbuilding.....	189,289	184,985	2,303,066
Urban Development.....	—	10,677	—
LSI.....	15,522	19,364	188,855
Total.....	4,112,809	4,127,896	50,040,260
Adjustments.....	(105,546)	(151,251)	(1,284,170)
Consolidated.....	¥ 4,007,263	¥ 3,976,644	\$ 48,756,089

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Depreciation:			
Steel.....	¥ 226,003	¥ 234,141	\$ 2,749,762
Engineering.....	5,916	5,498	71,979
Shipbuilding.....	5,246	5,077	63,827
Urban Development.....	—	334	—
LSI.....	1,137	1,602	13,833
Total.....	238,303	246,653	2,899,415
Adjustments.....	12	12	146
Consolidated.....	¥ 238,316	¥ 246,666	\$ 2,899,574

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Amortization of goodwill:			
Steel.....	¥ 187	¥ 149	\$ 2,275
Engineering.....	—	163	—
Shipbuilding.....	3,462	3,462	42,121
Urban Development.....	—	—	—
LSI.....	—	0	—
Total.....	3,649	3,776	44,397
Adjustments.....	—	(146)	—
Consolidated.....	¥ 3,649	¥ 3,629	\$ 44,397

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Interest income:			
Steel.....	¥ 689	¥ 1,256	\$ 8,383
Engineering.....	117	157	1,423
Shipbuilding.....	3	33	36
Urban Development.....	—	1	—
LSI.....	2	1	24
Total.....	812	1,450	9,879
Adjustments.....	(419)	(613)	(5,097)
Consolidated.....	¥ 393	¥ 837	\$ 4,781

## Financial Information

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Interest expense:			
Steel	¥ 16,429	¥ 17,543	\$ 199,890
Engineering	372	366	4,526
Shipbuilding	97	26	1,180
Urban Development	—	57	—
LSI	24	45	292
Total	16,923	18,039	205,900
Adjustments	(1,824)	(1,576)	(22,192)
Consolidated	¥ 15,098	¥ 16,463	\$ 183,696

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Equity in earnings (losses) of affiliates:			
Steel	¥ 27,607	¥ 17,873	\$ 335,892
Engineering	(419)	(258)	(5,097)
Shipbuilding	—	—	—
Urban Development	—	—	—
LSI	—	—	—
Total	27,187	17,614	330,782
Adjustments	65	(1,302)	790
Consolidated	¥ 27,253	¥ 16,312	\$ 331,585

### (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		
	FY2011		FY2010	FY2011		FY2010
	Japan	Others	Total	Japan	Others	Total
Sales	¥ 1,966,943	¥ 1,199,567	¥ 3,166,511	¥ 1,929,988	¥ 1,265,571	¥ 3,195,560

	Thousands of U.S. dollars		
	FY2011		FY2010
	Japan	Others	Total
Sales	\$ 23,931,658	\$ 14,595,048	\$ 38,526,718

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

Information about property, plant and equipment has not been disclosed 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

Name of customer	Name of the related segment	Millions of yen		Thousands of U.S. dollars
		FY2011	FY2010	FY2011
		Sales	Sales	Sales
JFE SHOJI TRADE CORPORATION	Steel	¥ 842,568	¥ 854,300	\$ 10,251,466
Marubeni-Itochu Steel Inc.	Steel	354,205	357,603	4,309,587

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Investment in affiliates accounted for using equity method:			
Steel	¥ 307,740	¥ 229,765	\$ 3,744,251
Engineering	21,040	23,415	255,992
Shipbuilding	—	—	—
Urban Development	—	—	—
LSI	—	—	—
Total	328,780	253,181	4,000,243
Adjustments	(1,006)	(3,302)	(12,239)
Consolidated	¥ 327,773	¥ 249,879	\$ 3,987,991

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Increase in property, plant and equipment and intangible assets:			
Steel	¥ 181,185	¥ 162,459	\$ 2,204,465
Engineering	8,515	12,481	103,601
Shipbuilding	7,104	4,396	86,433
Urban Development	—	199	—
LSI	638	950	7,762
Total	197,443	180,488	2,402,275
Adjustments	5	4	60
Consolidated	¥ 197,449	¥ 180,492	\$ 2,402,348

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

	Millions of yen				
	FY2011				
	Steel	Engineering	Shipbuilding	LSI	Total
Impairment loss	¥ 4,124	¥ 2,101	¥ —	¥ —	¥ 6,225

	Millions of yen					
	FY2010					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Impairment loss	¥ 1,779	¥ 796	¥ —	¥ 5,548	¥ —	¥ 8,124

	Thousands of U.S. dollars				
	FY2011				
	Steel	Engineering	Shipbuilding	LSI	Total
Impairment loss	\$ 50,176	\$ 25,562	\$ —	\$ —	\$ 75,739

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

	Millions of yen				
	FY2011				
	Steel	Engineering	Shipbuilding	LSI	Total
Unamortized balance	¥ 692	¥ —	¥ 3,462	¥ —	¥ 4,154

	Millions of yen					
	FY2010					
	Steel	Engineering	Shipbuilding	Urban Development	LSI	Total
Unamortized balance	¥ 78	¥ —	¥ 6,924	¥ —	¥ —	¥ 7,003

	Thousands of U.S. dollars				
	FY2011				
	Steel	Engineering	Shipbuilding	LSI	Total
Unamortized balance	\$ 8,419	\$ —	\$ 42,121	\$ —	\$ 50,541

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

No gain from negative goodwill was recognized for the year ended March 31, 2012.

Gain on negative goodwill amounting to ¥3,380 million 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.

## 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, 2012, primarily the book value of the idle properties was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥6,225 million (\$75,739 thousand), including ¥3,080 million (\$37,474 thousand) for machinery and equipment, ¥596 million

(\$7,251 thousand) for land and ¥2,549 million (\$31,013 thousand) for buildings and structures. The recoverable amount of the above assets is principally based on the estimated value of disposition.

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, including ¥2,792 million for buildings and structures, ¥3,469 million for land and ¥1,862 million for machinery and equipment. The recoverable amount of the above assets is principally calculated by appraisal values of real estate.

19. Extraordinary Loss

For the years ended March 31, 2012 and 2011, extraordinary loss consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Gain on sales of investments in securities.....	¥ 9,361	¥ —	\$ 113,894
Gain on negative goodwill.....	—	3,755	—
Loss on adjustment for changes of accounting standard for asset retirement obligations.....	—	(5,306)	—
Loss on impairment of property, plant and equipment.....	(6,225)	(8,124)	(75,739)
Write-down of investments in securities.....	(89,200)	(4,787)	—
Loss related to emission credits.....	(7,385)	—	(89,852)
Provision for loss on litigation.....	—	(7,713)	—
Loss on natural disaster (Note 1).....	(11,860)	(28,361)	(144,299)
Loss on revision of retirement benefit plans (Note 2).....	(15,677)	—	(190,740)
Loss on cancellation of purchase contracts.....	(3,840)	—	(46,721)

Note 1:  
Loss on natural disaster is mainly repair costs for property, plant and equipment which were damaged by the Great East Japan Earthquake. Loss on natural disaster for the years ended March 31, 2012 and 2011 consists of the following:

Note 2:  
JFE Steel Corporation and JFE Engineering Corporation, consolidated subsidiaries of the Company, had tax-qualified pension plans and lump-sum retirement plans. Effective October 1, 2011, they abolished tax-qualified pension plans and transitioned to defined contribution pension plans and defined benefit corporate pension plans. "Loss on revision of retirement benefit plans" was recognized due to the effects of this transition and others. This transition is accounted for in accordance with the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, issued on January 31, 2002).

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Repair costs.....	¥ (8,367)	¥ (16,173)	\$ (101,800)
Fixed costs during shutdown.....	(2,723)	(669)	(33,130)
Other.....	(768)	(11,518)	(9,344)

20. Net Income (Loss) per Share

Diluted net income per share is not shown due to a net loss for the year ended March 31, 2012.

(Year ended March 31, 2012)

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net loss	Weighted average shares	EPS	
Basic EPS				
Net loss available to common shareholders.....	¥ (36,633)	533,144	¥ (68.71)	\$ (0.83)

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

(Year ended March 31, 2011)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders.....	¥ 58,608	529,298	¥ 110.73
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


21. Subsequent Events

Based on the resolution of the Board of Directors' meeting held on May 10, 2012, the Company entered into a Share Exchange Agreement with JFE Shoji Trade Corporation (hereinafter "JFE Shoji Trade") that, effective October 1, 2012, would make JFE Shoji Trade a wholly owned subsidiary of the Company.

Shareholders of JFE Shoji Trade will be allotted treasury shares held by the Company in consideration of the share exchange. Ratio of allotment in connection with the share exchange is as follows:

	The Company (Wholly owning parent company)	JFE Shoji Trade (Wholly owned subsidiary)
Allotment of shares in share exchange.....	1	0.268
Number of shares of the Company to be allotted in share exchange.....	Common stock: 63,382,537 shares (tentative)	

Note: Under the agreement, 0.268 shares of common stock of the Company will be allotted for each share of common stock of JFE Shoji Trade.



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### Independent Auditor's Report

The Board of Directors  
JFE Holdings, Inc.

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*  
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*  
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*  
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*  
We draw attention to Note 21 to the consolidated financial statements, which describes that based on the resolution of the Board of Directors' meeting held on May 10, 2012, the Company entered into a Share Exchange Agreement with JFE Shoji Trade Corporation (hereinafter "JFE Shoji Trade") that, effective October 1, 2012, would make JFE Shoji Trade a wholly owned subsidiary of the Company. Our opinion is not qualified in respect of this matter.

*Convenience Translation*  
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1

Ernst & Young ShinNihon LLC  
June 27, 2012

A member firm of Ernst & Young Global Limited





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