

(Translation for reference only)

(Security Code: 5411)

May 31, 2011

## **Notice of 9th Ordinary General Meeting of Shareholders**

Dear Shareholders:

First and foremost, we would like to extend our sincere condolences to those who have been affected by the Great East Japan Earthquake. You have our deepest sympathies.

Next, we would like to inform you that the 9th Ordinary General Meeting of Shareholders will be held as follows, and would be grateful if you could attend the Meeting.

If you cannot attend the Meeting, you may exercise your voting rights through one of the following means. We ask that you exercise your voting rights after carefully reading the “Reference Materials for General Meeting of Shareholders” shown below.

[Exercise of voting rights in writing]

You are kindly asked to send us via return mail the enclosed voting form after indicating your approval or disapproval of each Proposal no later than 17:30 on June 21, 2011 (Tuesday).

[Exercise of voting rights via electronic media (including the Internet)]

You are kindly asked to exercise your voting rights no later than 24:00 on June 21, 2011 (Tuesday) in accordance with the instructions contained in the “Guide to Exercising Your Voting Rights via Electronic Media (including the Internet)” shown on page 60.

Yours faithfully,

Hajime Bada

Representative Director, President and CEO

JFE Holdings, Inc.

2-3 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo

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## Meeting Agenda

- 1. Date and Time:** Wednesday, June 22, 2011, from 10:00 a.m. (Open at 9:00 a.m.)
- 2. Venue:** Peacock Room of the Imperial Hotel, Tokyo (Teikoku Hotel), 2nd floor of the Main Building  
1-1 Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo

### 3. Objectives of Meeting:

- Items to be reported**
1. Business Report, Consolidated Financial Statements and Accounting Auditors' and Board of Corporate Auditors' Reports on Consolidated Financial Statements for the 9<sup>th</sup> term (from April 1, 2010 to March 31, 2011)
  2. Non-consolidated Financial Statements for the 9<sup>th</sup> term (from April 1, 2010 to March 31, 2011)

#### Items to be resolved

- Proposal 1: Dividend of surplus
- Proposal 2: Payment of Directors' and Corporate Auditors' bonuses
- Proposal 3: Election of 6 Directors
- Proposal 4: Election of a Corporate Auditor
- Proposal 5: Election of a Substitute Corporate Auditor
- Proposal 6: Continuation of the Policy Toward Large-scale Purchases of JFE Shares

### 4. Other Resolutions upon Convocation to be Determined

- (1) When you exercise your voting rights both in writing and via electronic media including Internet, the voting right exercised via electronic media shall be deemed and treated as a valid vote.
- (2) When you exercise your voting rights twice or more via electronic media including Internet, the voting right exercised last shall be deemed and treated as a valid vote.
- (3) If you are exercising your voting rights by proxy, please have your proxy submit your voting form and a power of attorney.

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\*Shareholders who will be attending the Meeting in person on the above-mentioned date are requested to submit the enclosed voting form at the reception desk, and to bring this notice to the Meeting to further reduce consumption.

\*Please be aware that you may only exercise your voting rights by proxy, as provided for in the Articles of Incorporation, by delegating your voting right to a shareholder who holds a voting right.

\*Please note that "Notes to the Consolidated Financial Statements" and "Notes to the Non-consolidated Financial Statements" are not provided herein. Instead, Notes are published on our website (<http://www.jfe-holdings.co.jp/>) in accordance with the applicable laws and regulations and the Articles of Incorporation.

\*In the event a matter needs to be changed or modified in any part of Reference Materials for General Meeting of Shareholders and Appendixes attached hereto, please note that any matter so changed or modified as mentioned above will be published on our website (<http://www.jfe-holdings.co.jp/>) in accordance with the provisions of the applicable laws and regulations.

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Appendixes

## **Business Report for 9th Fiscal Year**

(From April 1, 2010 to March 31, 2011)

### 1. Overview of the Corporate Group

(1) Business progress and results, and tasks requiring attention

The JFE Group offers prayers for the repose of those who perished in the Great East Japan Earthquake and extends heartfelt sympathies to those affected by the disaster.

Some JFE Group companies incurred substantial damage in the earthquake and have mounted an all-out recovery effort. We are deeply grateful for the warm expressions of support and encouragement from our shareholders and other stakeholders.

In the coming weeks and months, we will make the preparation of infrastructure and the supply of steel material necessary for recovery as our highest priorities. At the same time, in light of the tight electricity supply and demand situation, we will cooperate by making our utmost effort to conserve electricity and by supplying to electric power companies electricity from our private power generation facilities.

[Performance of the Group]

The JFE Group, guided by its corporate mission of contributing to society with the world's most innovative technology, continued to achieve sustainable growth and improved corporate value for its shareholders and all other stakeholders.

Although the Japanese economy followed an export-led recovery trajectory in the first half of the fiscal year ended March 31, 2011, it treads water throughout the second half. In this environment, in addition to continuing profitability improvement measures, the Group undertook earnings improvement by expanding and enhancing domestic and overseas sales bases to strengthen the sales structure, pursuing and developing alliances, improving productivity and manufacturing technologies, strengthening the manufacturing system through the development of efficient production systems, and engaging in new product development.

As a result of such actions, JFE Holdings recorded a sharp year-on-year increase in consolidated ordinary income and, despite recording extraordinary losses including a loss on disaster associated with the earthquake, also recorded a year-on-year increase in consolidated net income.

Each operating company has developed their activities suited to their business characteristics and the environments surrounding them.

<Performance of JFE Steel Corporation>

JFE Steel Corporation saw consolidated crude steel output rise year on year to 31.47 million tons as a result of efforts to increase sales against a backdrop of robust steel demand overseas.

Consolidated net sales rose to 2,747.4 billion yen on higher sales volumes and selling prices.

Consolidated ordinary income rose to 134.2 billion yen due to continuing profitability improvement measures coupled with higher sales volumes and selling prices, despite unavoidable sharp increases in raw material prices.

<Performance of JFE Engineering Corporation>

JFE Engineering Corporation saw consolidated net sales fall to 265.1 billion yen in an adverse business environment, characterized by shrinking private-sector capital expenditures and curtailment of public works projects. Company-wide efforts for profitability improvement measures focused on cost reductions resulted in consolidated ordinary income of 12.2 billion yen, below the prior-year level.

<Performance of Universal Shipbuilding Corporation>

Although Universal Shipbuilding Corporation saw decreased consolidated net sales to 210.8 billion yen on delivery of 25 new vessels, the sales decline resulted from expanded application of percentage-of-completion accounting in the previous year. Despite the negative impact from the decrease in net sales, company-wide efforts for profitability improvement measures

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contributed to consolidated ordinary income of 20.6 billion yen and consolidated ordinary income including goodwill amortization from the Shipbuilding business of 17.1 billion yen.

<Performance of other operating companies>

JFE Urban Development Corporation saw consolidated net sales fell to 13.3 billion yen, due mainly to a decrease in the number of condominiums delivered. Consolidated ordinary loss of 0.7 billion yen reflected the adverse overall conditions in the condominium market despite improvement seen from the previous year.

Kawasaki Microelectronics, Inc. saw consolidated net sales fell to 24.1 billion yen due to yen appreciation. Consolidated ordinary income was 1.6 billion yen, an improvement from the previous year attributable to fixed cost reductions resulting from business structural improvement.

<Consolidated business results of the Group>

As a result of the above developments, on a consolidated basis including JFE Holdings' non-consolidated results, the Group achieved year-on-year increases in sales and incomes, recording consolidated net sales of 3,195.5 billion yen, consolidated operating income of 182.8 billion yen and consolidated ordinary income of 165.8 billion yen.

Extraordinary loss was 50.5 billion yen. Consolidated income before income taxes and minority interests was 115.2 billion yen, and consolidated net income was 58.6 billion yen.

<Non-consolidated operating results>

During the fiscal year ended March 31, 2011, JFE Holdings received total management fee income of 2.7 billion yen from five operating companies and received a total of 8.1 billion yen in dividend income from JFE Steel Corporation and other Group companies.

As a result, on a non-consolidated basis, JFE Holdings recorded operating income of 8.4 billion yen, ordinary income of 8.3 billion yen and net income of 8.0 billion yen.

JFE Holdings considers the return to shareholders to be among its top management priorities and has a policy of proactively distributing dividends from surplus while maintaining a sustainable operational base for the Group. Accordingly, JFE Holdings intends to propose at this General Meeting of Shareholders a year-end dividend of 15 yen per share, which together with the interim dividend of 20 yen per share, will result in a full-year dividend of 35 yen per share for the fiscal year ended March 31, 2011.

[Tasks requiring attention]

The business environment surrounding the JFE Group remains adverse due to factors including high raw material prices, although economic growth is expected to continue in developing countries, principally in Asia. In Japan, the outlook for the future is uncertain as there is concern about production activities due to the damage to production facilities caused by the Great East Japan Earthquake and consequent electricity supply constraints.

In this environment, the JFE Group will work to achieve its growth strategy while closely monitoring medium-term and long-term changes in the business environment and future business prospects. First, societal needs to reduce environmental burden and conserve energy are increasing, and we will further accelerate the development of innovative process technologies, utilization technologies and revolutionary new products to meet those needs. Second, we will boost productivity at production bases in Japan and, in some business sectors, reinforce the business base by pursuing reorganization and deepening alliances with other companies. In addition, we will reliably capture demand in Asian markets, where continued growth can be expected, and seek engines for our future business growth in Asia.

Each operating company of the JFE Group will implement measures suited to the characteristics of its business.

JFE Steel Corporation will first undertake to ensure stable quality, improve profitability, and maintain competitiveness by means of stable operation of manufacturing facilities. On that basis, it will promote further sales expansion in Japan and in export markets, establish a solid sales structure, and develop systems capable of dependably producing and selling 33 million tons.

In addition, it will continue to actively develop its current overseas businesses and deliver results

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from each business including construction completion of cold-rolled steel sheet manufacturing facilities and a smooth start-up of operation at Guangzhou JFE Steel Sheet Co., Ltd. and initiation of activities aimed at expanding the cooperative relationship with JSW Steel Ltd. of India in technology and production. Furthermore, it will work to secure its own raw materials interest ratio of 30%.

To sustain a top-flight level of competitiveness as a means to achieve future business breakthroughs, the R&D, production, and sales departments will continue to work together and focus on product development and process development with a ten-year outlook.

To promote the above-mentioned activities, it will continuously focus on developing human resources to respond to globalization and on handing down skills to young workers at manufacturing sites.

JFE Engineering Corporation will continue to actively develop its business, mainly in the areas of the environment and energy. Specifically, in Japan it will propose fast-acting solutions for the reconstruction of public infrastructure based on its wide-ranging technologies and extensive product line. Overseas, it will seek to increase orders received by continuing its active involvement in solutions to global environmental problems, which a number of countries have begun to address in earnest.

Universal Shipbuilding Corporation will continue to engage in management focused on improving profitability and ability to win orders and broaden the management focus to include future growth potential, amid intense competition with Chinese and South Korean rivals. Specifically, it will focus on activities to further improve profitability on the backlog through the strengthening of procurement capabilities, and the establishment of unrivaled technical capabilities in large tankers and bulk carriers, its main products, by means of development of energy-saving technologies. With a view to future growth, it will actively engage in productivity enhancement, personnel development, and strengthening of the organization. At the same time, it will continue to consider partnerships with other companies.

Kawasaki Microelectronics, Inc. will seek to further boost sales and profits by increasing sales of products for optical communications and home networks as well as sales of products for liquid crystal panels adapted to needs in developing countries.

Since JFE Urban Development Corporation has nearly achieved its initial business goals of productively utilizing and thereby enhancing the value of Group-owned properties through the redevelopment of idle land, on April 1 of this year it was merged into JFE Steel Corporation, which succeeded the business of utilizing Group-owned properties.

To steadily and reliably carry out the management tasks of the JFE Group, JFE Holdings strives for efficient operation while reinforcing its function as the key entity for group management and sound corporate governance, both of which serve shareholders' interests.

Concerning the surcharge payment order JFE Engineering Corporation received from the Japan Fair Trade Commission for a violation of the Antimonopoly Act in an action related to the construction of a waste incineration facility, which had been in hearing proceedings since March 2007, although a decision ordering payment of surcharge was handed down in November 2010, in December JFE Engineering filed a suit against the decision.

The JFE Group is determined to continue its group-wide efforts for adherence to thorough compliance, a further commitment to environmental issues and enhanced safety, all of which help strengthen our relationships with society, to promote the sustainable development of the Group and maximize corporate value for every stakeholder including shareholders.

We appreciate the continued understanding, support and encouragement of our shareholders.

(2) Production, order received and sales

The production, order received and sales of JFE Holdings and its consolidated subsidiaries during the 9<sup>th</sup> term were as follows;

1) Production (Thousand tons)

Business	8th term FY2009	9th term FY2010	Change (%)
Steel business (crude steel output)	28,352	31,472	11.0

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2) Order received (Millions of yen)

Business	8th term FY2009	9th term FY2010	Change (%)
Engineering business	279,231	256,475	-8.1
Shipbuilding business	59,432	81,555	37.2

3) Sales (Millions of yen)

Business	8th term FY2009	9th term FY2010	Change (%)
Steel business	2,281,441	2,747,423	20.4
Engineering business	294,267	265,112	-9.9
Shipbuilding business	286,739	210,812	-26.5
Urban development business	26,927	13,379	-50.3
LSI business	24,692	24,176	-2.1
Eliminations or Corporate	(69,711)	(65,345)	—
Total	2,844,356	3,195,560	12.3

(3) Capital expenditure

Total amount of capital expenditure of JFE Holdings and its consolidated subsidiaries during the 9<sup>th</sup> term was 180.4 billion yen and the major expenditure was as follows;

1) Major facility completed during the term

Not applicable

2) Major ongoing facility during the term

Steel business

JFE Steel Corporation

West Japan Works (Fukuyama)

Revamp of No.3 Blast Furnace

(4) Fund procurement

JFE Holdings and its consolidated subsidiaries raised necessary funds through long-term loans and issuance of straight bonds. The total amount is 210.8 billion yen.

The balance of loan payable and corporate bonds increased by 28.0 billion yen year-on-year to 1,496.4 billion yen.

(5) Assets and operating results

1) Consolidated assets and operating results of JFE Holdings (Millions of yen)

Item	6th term FY2007	7th term FY2008	8th term FY2009	9th term FY2010
Net sales	3,539,802	3,908,282	2,844,356	3,195,560
Operating income	510,518	407,806	88,775	182,810
Ordinary income	502,974	400,562	69,289	165,805
Net income	261,845	194,229	45,659	58,608
Net income per share (yen)	450.58	355.64	86.35	110.73
Net assets	1,541,680	1,378,041	1,465,898	1,478,310
Total assets	4,170,080	4,328,901	3,918,317	3,976,644

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2) Assets and operating results of JFE Holdings (Millions of yen)

Item	6th term FY2007	7th term FY2008	8th term FY2009	9th term FY2010
Operating revenue	309,055	126,705	24,110	28,092
Operating income	292,288	101,818	2,589	8,436
Ordinary income	292,227	101,818	2,585	8,309
Net income	291,176	89,478	1,069	8,072
Net income per share (yen)	501.04	163.75	2.02	15.24
Net assets	1,189,009	1,057,113	1,042,057	1,035,031
Total assets	2,310,715	2,743,871	2,509,746	2,633,557

(6) Major lines of business (As of March 31, 2011)

1) JFE Holdings

Control and administration of operating companies engaged in the steel, engineering, shipbuilding and other businesses by holding shares thereof

2) Steel Business (JFE Steel Corporation and its affiliated companies)

Manufacture and sales of various steel products, steel processed products and raw materials, etc., as well as transportation business and peripheral businesses such as the equipment maintenance and equipment work businesses

(Major products and services)

Steel products (rails, sheet piles, H-shapes, steel shapes, steel bars, wire rods, steel plates, hot-rolled steel sheets, cold-rolled steel sheets, surface-treated steel sheets, electrical steel sheets, stainless sheets, seamless steel pipes, forge welded steel pipes, electric resistance welded steel pipes, rectangular steel pipes, arc-welded steel pipes), titanium products, steel processed products, solar cell materials, chemical products, iron and steel slag products, formed and fabricated products, various containers, mining and mineral products, functional materials, ferroalloy, various refractories, furnace construction works, various transportation and warehousing, civil engineering and construction works, equipment management and construction works, electric works, telecommunications works, thermal power generation, gas, temporary construction materials, real estate, insurance agency business, various service businesses, steel structures, various computer systems, material analysis, environmental research, technical information surveys, support for intellectual properties, etc.

3) Engineering Business (JFE Engineering Corporation and its affiliated companies)

Engineering business regarding energy, urban environment, recycling, steel structures, industrial machineries, etc.

(Major products and services)

Gas, oil, and water pipelines; LNG/LPG low-temperature storage and various tanks; municipal waste incinerator; water treatment systems; recycling services for waste plastics, etc.; steel structures for bridges, port and harbor structures and building frames; industrial machineries such as logistic systems, engines, shield tunneling machine and ballast water treatment system; pig iron making, steelmaking and mini-mill related plants; new energy-saving air-conditioning systems; carbon-fiber nanotubes; quick chargers for electric vehicles, etc.

4) Shipbuilding Business (Universal Shipbuilding Corporation and its affiliated companies)

Design, manufacture, sales and repair of merchant ships and various naval vessels, etc.

(Major products)

Large-sized merchant ships (e.g., tankers, bulk carriers, ore carriers, LNG carriers, LPG carriers), large offshore structures, offshore vessels, escort vessels, supply vessels, landing crafts, minesweepers, patrol vessels, icebreakers and other various vessels, defense equipment, marine equipment, industrial robots, etc.

5) Urban Development Business (JFE Urban Development Corporation)

Large-scale complex developments, sale of condominiums, real estate solutions, asset utilization, etc.

(Major products)

Condominiums, office buildings for rental, real estate consulting, etc.

6) LSI Business (Kawasaki Microelectronics, Inc., and its affiliated companies)

Manufacture and sales of various LSI products, etc.

(Major products)

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Semiconductor products focused on application specific integrated circuits (ASIC), etc.

(Note)

JFE Urban Development Corporation transferred its after-sales service business to JFE Life Corporation through a company split and merged with JFE Steel Corporation as of April 1, 2011.

(7) Major sales offices, works and overseas offices (As of March 31, 2011)

1) JFE Holdings

Head office	Head office (Chiyoda, Tokyo)
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2) Steel Business (JFE Steel Corporation)

Head office	Head office (Chiyoda, Tokyo)
Domestic sales offices	Osaka, Nagoya, Hokkaido (Sapporo), Tohoku (Sendai), Niigata, Hokuriku (Toyama), Chugoku (Hiroshima), Shikoku (Takamatsu), Kyusyu (Fukuoka), Chiba, Kanagawa (Yokohama), Shizuoka, Okayama, and Okinawa (Naha)
Steel works	East Japan Works (Chiba and Kawasaki), West Japan Works (Kurashiki and Fukuyama) and Chita Works (Handa)
Research laboratories	Steel Research Laboratories (Chiba, Kawasaki, Handa, Kurashiki and Fukuyama)
Overseas offices	New York, Houston, Brisbane, Brazil, London, New Delhi, Singapore, Bangkok, Jakarta, Manila, Seoul, Beijing, Shanghai and Guangzhou

3) Engineering Business (JFE Engineering Corporation)

Head offices	Tokyo head office (Chiyoda, Tokyo) and Yokohama head office
Domestic sales offices	Hokkaido (Sapporo), Tohoku (Sendai), Aomori (Hachinohe), Akita, Chiba, Tokyo (Chiyoda, Tokyo), Yokohama, Kawasaki, Niigata, Nagoya, Shizuoka, Osaka, Kobe, Shikoku (Takamatu), Chugoku (Hiroshima), Yamaguchi (Hofu), Kyusyu (Fukuoka), Kumamoto and Okinawa (Naha)
Production bases	Tsurumi Engineering and Manufacturing Center (Yokohama), Tsu Works and Shimizu Works (Shizuoka)
Research laboratory	Technical research centre (Yokohama)
Overseas offices	Yangon, Hanoi, Manila, Malaysia, Singapore, Indonesia, Mumbai, Frankfurt, Hong Kong and Shanghai

4) Shipbuilding Business (Universal Shipbuilding Corporation)

Head office	Head office (Kawasaki)
Shipyards	Keihin (Yokohama), Tsu, Maizuru, Innoshima (Onomichi) and Ariake (Tamana-gun, Kumamoto)
Research laboratory	Technical research center (Tsu)
Overseas office	London

5) Urban Development Business (JFE Urban Development Corporation)

Head office	Head office (Kawasaki)
Domestic sales office	Kansai (Osaka)

6) LSI Business (Kawasaki Microelectronics, Inc.)

Head office	Head office (Chiba)
Overseas offices	U.S.A., Taiwan and India

(Note)

1. Overseas offices include overseas subsidiaries.
2. JFE Urban Development Corporation transferred its after-sales service business to JFE Life Corporation through a company split and merged with JFE Steel Corporation as of April 1, 2011.

Major affiliated companies and their head office locations are listed in (9) Significant Subsidiaries on pages 10 - 13.

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(8) Employees (As of March 31, 2011)

Numbers of employees of JFE Holdings and its consolidated subsidiaries are as follows.

1) Employees of JFE Holdings and consolidated subsidiaries

Business	Number of employees
Steel business	42,923
Engineering business	7,334
Shipbuilding business	3,659
Urban development business	15
LSI business	423
Corporate	46
Total	54,400

(Note)

1. Those fall under the Corporate above are the employees of JFE Holdings
2. As for Urban development business, JFE Urban Development Corporation transferred its after-sales service business to JFE Life Corporation through a company split and merged with JFE Steel Corporation as of April 1, 2011.

2) Employees of JFE Holdings

Number of employees	Year-on-year decrease	Average age (years old)	Average years of service
46	7	43.3	21.5

(Note)

1. The number of employees does not include one employee dispatched to other company.
2. For those dispatched from JFE Steel Corporation and JFE Engineering Corporation, the aggregated years of service for both companies are adopted to the calculation for the average years of service

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(9) Significant subsidiaries (As of March 31, 2011)

1) Significant subsidiaries (\*Stocks indirectly held by subsidiary companies are included.)

Name	Head Office Location	Description of business	Capital (Millions of yen)	Voting rights ratio (%)
[Steel business]				
JFE Steel Corporation	Chiyoda, Tokyo	Manufacture and sales of steel products	239,644	100.0
JFE Bars & Shapes Corporation	Minato, Tokyo	Manufacture and sales of steel shapes, steel bars and wire rod products	45,000	*100.0
JFE Chemical Corporation	Taito, Tokyo	Manufacture and sales of chemical products	6,000	*100.0
Daiwa Steel Corporation	Osaka	Manufacture of steel bars using an electric furnace and their sales	5,050	*94.7
JFE Metal Products & Engineering Inc.	Chuo, Tokyo	Manufacture, processing and sales of secondary steel products	5,000	*96.4
JFE Galvanizing & Coating Co., Ltd	Shinagawa, Tokyo	Manufacture, processing and sales of secondary steel products	5,000	*98.4
JFE Logistics Corporation	Chiyoda, Tokyo	Various transportation and warehousing businesses	4,000	*89.1
JFE Container Co., Ltd.	Chiyoda, Tokyo	Manufacture and sales of various containers	2,365	*54.2
JFE Civil Engineering & Construction Corp.	Taito, Tokyo	Contracting for civil engineering and construction works	2,300	*100.0
JFE Mineral Company, Ltd.	Minato, Tokyo	Mining and manufacture, processing and sales of mineral products, and manufacture and sales of iron and steel slag and functional materials	2,000	*100.0
JFE Life Corporation	Taito, Tokyo	Real estate, insurance agency and various service businesses	2,000	*99.9
JFE Mechanical Co., Ltd.	Taito, Tokyo	Manufacture and sales of machinery and equipment, and contracting for equipment management and construction works	1,700	*93.8
JFE Welded Pipe Manufacturing Co., Ltd.	Ichihara, Chiba	Manufacture and sales of electric resistance welded steel pipes	1,437	*98.4
JFE Systems, Inc.	Sumida, Tokyo	Development and sales of various computer systems	1,390	*67.7
Mizushima Ferroalloy Co., Ltd.	Kurashiki, Okayama	Manufacture and sales of ferroalloy	1,257	*93.8
JFE Pipe Fitting Mfg. Co., Ltd.	Kishiwada, Osaka	Manufacture and sales of steel pipe joints	958	*86.6
JFE Kozai Corporation	Chuo, Tokyo	Shearing and fusing of steel plates/sheets, and sales of steel materials	488	*94.5
JFE Material Co., Ltd.	Imizu, Toyama	Manufacture and sales of ferroalloy	450	*98.0
JFE Precision Co.	Niigata	Manufacture and sales of formed and fabricated materials	450	*100.0

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Name	Head Office Location	Description of business	Capital (Millions of yen)	Voting rights ratio (%)
River Steel Co., Ltd.	Yokohama	Processing and sales of steel products, and contracting for civil engineering and construction works	450	*90.0
Toyohira Steel Corporation	Sapporo	Manufacture of steel bars using an electric furnace and their sales, and manufacture and sales of various steel structures	450	*100.0
JEF Electrical & Control Systems, Inc.	Kobe	Contracting for electric works, telecommunications works and equipment management	400	*100.0
JFE Electrical Steel Co., Ltd.	Osaka	Processing and sales of electrical steel sheets	400	*99.9
Tohoku Steel Corporation	Sendai	Manufacture of steel bars using an electric furnace and their sales	300	*94.2
JFE Techno-Research Corporation	Chuo, Tokyo	Material analysis, environmental research, technical information surveys and support for intellectual properties	100	*100.0
JFE Steel Australia Resources Pty Ltd.	Brisbane, Australia	Investments in coal mines and the iron ore mining business in Australia	AUD 460 mil	*100.0
Philippine Sinter Corporation	Makati, Metro Manila, Philippines	Manufacture and sales of sintered ore	PHP 500 mil	*100.0
Thai Coated Steel Sheet Co., Ltd.	Bangkok, Thailand	Manufacture and sales of electrogalvanized steel products	THB 2,206 mil	*81.4
[Engineering business]				
JFE Engineering Corporation	Chiyoda, Tokyo	Engineering business	10,000	100.0
JFE Kankyo Corporation	Yokohama	Total recycling business	650	*100.0
JFE Environmental Service Corporation	Yokohama	Operation and maintenance of waste disposal facilities, water treatment facilities, etc.	97	*100.0
[Shipbuilding business]				
Universal Shipbuilding Corporation	Kawasaki	Design, manufacture, sales and repair of vessels	25,000	84.9
[Urban development business]				
JFE Urban Development Corporation	Kawasaki	Urban development business	3,000	100.0
[LSI business]				
Kawasaki Microelectronics, Inc.	Chiba	Design, manufacture and sales of semiconductor integrated circuits	5,046	100.0

- JFE Engineering Corporation succeeded the engine business and the control system business of JFE Technos Corporation through a company split as of October 1, 2010.
- JFE Systems, Inc. succeeded EXA Corporation's application development and maintenance

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business for JFE Steel Corporation and its group companies through a company split as of April 1, 2011.

- JFE Urban Development Corporation transferred its after-sales service business to JFE Life Corporation through a company split and merged with JFE Steel Corporation as of April 1, 2011.
- JFE Finance Corporation, which was listed in the “Significant subsidiaries” category in the previous fiscal year, assigned its intragroup finance business to JFE Holdings as of June 1, 2010. JFE Holdings subsequently assigned the shares of JFE Finance Corporation to JFE Steel Corporation as of July 30, 2010.
- The consolidated subsidiaries totaled 195, including the companies stated above, during the fiscal year ended March 31, 2011.

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2) Significant affiliates (\*Stocks indirectly held by subsidiary companies are included.)

Name	Head Office Location	Description of business	Capital (Millions of yen)	Voting rights ratio (%)
[Steel business]				
Brazil Japan Iron Ore Corporation	Minato, Tokyo	Investment in the iron ore mining business in Brazil	118,348	*19.3
JFE Shoji Holdings, Inc.	Osaka	Planning and management of business strategies of the JFE Shoji Group, as well as their auxiliary businesses	20,000	*39.5
Setouchi Joint Thermal Power Co., Ltd.	Fukuyama, Hiroshima	Wholesale of electricity resulting from thermal power generation	5,000	*50.0
Gecoss Corporation	Chuo, Tokyo	Rental and sales of temporary construction materials	4,397	*39.4
Shinagawa Refractories Co., Ltd.	Chiyoda, Tokyo	Manufacture and sales of various refractories, and contracting for furnace construction works	3,300	*33.8
Nippon Chuzo K.K.	Kawasaki	Manufacture and sales of cast steel products, etc.	2,102	*42.1
Nippon Chutetsukan K.K.	Chuo, Tokyo	Manufacture and sales of cast-iron pipes	1,855	*29.3
Exa Corporation	Kawasaki	Development and sales of various computer systems	1,250	*49.0
K.K. JFE Sanso Center	Fukuyama, Hiroshima	Manufacture and sales of oxygen, nitrogen and argon gases, etc.	90	*40.0
Dongkuk Steel Mill Co., Ltd.	Seoul, South Korea	Manufacture and sales of steel products	KRW 421,185 mil	*15.2
Guangzhou JFE Steel Sheet Co., Ltd.	Guangzhou, China	Manufacture and sales of cold-rolled and hot-dip zinc galvanized steel sheets	CNY 3,191 mil	*50.0
Thai Cold Rolled Steel Sheet Public Co., Ltd.	Bangkok, Thailand	Manufacture and sales of cold-rolled steel sheets	THB 10,703 mil	*22.4
California Steel Industries, Inc.	Fontana, U.S.	Manufacture and sales of steel products	USD 40 mil	*50.0
[Engineering business]				
Takeei Co., Ltd.	Minato, Tokyo	Waste disposal and recycling	4,134	*21.1
JP Steel Plantech Co.	Yokohama	Design, manufacture and installation of ironmaking machinery, etc.	1,995	*25.6
NKK Tubes K. K.	Kawasaki	Manufacture and sales of seamless steel pipes	1,595	*49.0

- Effective from the fiscal year ended March 31, 2011, Takeei Co., Ltd. has been included in the category above “Significant affiliates.”
- JFE Engineering Corporation transferred the shares of Nippon Chutetsukan K.K. to JFE Steel Corporation as of February 28, 2011. With this transaction, Nippon Chutetsukan K.K., which was listed in the Engineering business category in the previous fiscal year, is now listed in the Steel business category.
- The equity method affiliates totaled 44, including the companies stated above, during the fiscal year ended March 31, 2011.

(Translation for reference only)

(10) Major lenders (As of March 31, 2011)

The major lenders of JFE Holdings and consolidated subsidiaries are as follows.

Name	Loan balance (Millions of yen)
Mizuho Corporate Bank, Ltd.	78,200
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	58,183
Nippon Life Insurance Company	55,390
Sumitomo Mitsui Banking Corporation	50,762

## 2. JFE Holdings' Share (As of March 31, 2011)

- (1) Number of shares
- |  |               |
|--|---------------|
| Total number of shares authorized to be issued | 2,298,000,000 |
| Total number of shares issued                  | 614,438,399   |
| (Number of shares of treasury stock included)  | 83,018,736    |
- (2) Total number of shareholders 313,404
- (3) Major shareholders

Name	Number of Shares Held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	37,282	7.0
Japan Trustee Services Bank, Ltd. (trust account)	25,826	4.9
Nippon Life Insurance Company	22,639	4.3
The Dai-ichi Life Insurance Company, Limited	15,185	2.9
Mizuho Corporate Bank, Ltd.	14,351	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,975	1.9
SSBT OD05 OMNIBUS Account-Treaty Clients	9,690	1.8
Sompo Japan Insurance Inc.	8,419	1.6
Meiji Yasuda Life Insurance Company	6,663	1.3
JPMorgan Chase Bank 380055	6,398	1.2

(Note)

In addition to the above, we retain 83,018,736 treasury shares. The treasury shares are not included in the shareholding ratio calculation.

## 3. Subscription Rights to Shares

Subscription rights that are already issued (As of March 31, 2011)

The first series of unsecured mandatorily acquirable subordinated convertible bonds

Date of issue	Number of subscription rights	Type and number of shares	Issue Price	Exercise Price	Exercise Period
March 17, 2008	300	Common stock 35,169,988	No charge	8,530 yen	From March 17, 2008 to July 22, 2013

(Translation for reference only)

#### 4. Directors and Corporate Auditors

(1) Directors and Corporate Auditors (As of March 31, 2011)

Position	Name	Significant concurrent position
Representative Director, President and CEO	Hajime Bada	Chairman of the Board of Directors, JFE 21st Century Foundation
Representative Director	Eiji Hayashida	Representative Director, President and CEO, JFE Steel Corporation
Representative Director	Yoshio Ishikawa	Director, JFE Steel Corporation
Representative Director	Kohei Wakabayashi	Director, JFE Engineering Corporation
Director	Sumiyuki Kishimoto	Representative Director, President and CEO, JFE Engineering Corporation
Director	Shigeo Asai	Director, JST Innovation Plaza Tokai, Japan Science and Technology Agency
Director	Akimitsu Ashida	Representative Director, President Executive Officer of Mitsui O.S.K. Lines, Ltd.
Corporate Auditor (Full-time)	Toshikuni Yamazaki	Corporate Auditor, JFE Engineering Corporation Corporate Auditor, Universal Shipbuilding Corporation
Corporate Auditor (Full-time)	Kunio Akita	Corporate Auditor, JFE Steel Corporation Corporate Auditor, JFE Urban Development Corporation Corporate Auditor, Kawasaki Microelectronics, Inc.
Corporate Auditor	Toshikuni Nishinohara	Special Advisor, Chuo Real Estate Co., Ltd.
Corporate Auditor	Hiroyuki Itami	Head of Graduate School of Management Science and Technology, Tokyo University of Science

(Note)

1. Kohei Wakabayashi, Director of JFE Holdings, Inc., retired as Representative Director and Director of JFE Holdings, Inc., as of April 1, 2011.  
In addition, he retired as Director of JFE Engineering Corporation as of April 1, 2011, and became Corporate Auditor of JFE Steel Corporation on the same day.
2. Both Shigeo Asai and Akimitsu Ashida serve as Outside Directors of JFE Holdings, Inc.
3. Directors and Corporate Auditors retired during the 9<sup>th</sup> term are as follows.

Position	Name	Retirement Date
Director	Uichiro Niwa	June 16, 2010
Director	Fumio Sudo	June 28, 2010
Corporate Auditor	Takaaki Wakasugi	June 28, 2010

4. Kunio Akita, Corporate Auditor of JFE Holdings, Inc., retired as Corporate Auditor of JFE Urban Development Corporation, as JFE Urban Development Corporation merged with JFE Steel Corporation as of April 1, 2011.
5. As of April 1, 2011, Graduate School of Management Science and Technology, Tokyo University of Science where Hiroyuki Itami has a concurrent position, changed its name to Graduate School of Innovation Studies of Tokyo University of Science.
6. Both Toshikuni Nishinohara and Hiroyuki Itami serve as Outside Corporate Auditors of JFE Holdings, Inc.
7. Toshikuni Yamazaki, Corporate Auditor, has managed the Finance Dept. and Controller Dept. as Representative Director and Executive Vice President of JFE Holdings, Inc., and has extensive knowledge and insight in finance and accounting based on his expertise.  
Toshikuni Nishinohara, Corporate Auditor, has managed the Finance and Accounting Departments as Deputy President of The Dai-Ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.), and has extensive knowledge and insight in finance and accounting based on his expertise.

(Translation for reference only)

Hiroyuki Itami, Corporate Auditor, has been engaged in extensive research on corporate management, including business strategy, and has extensive knowledge and great insight in finance and accounting based on his expertise.

8. Corporate Officers as of March 31, 2011, are as follows.

Position	Name	Duty
President & CEO	Hajime Bada	Chief Executive Officer (CEO)
Executive Vice President	Yoshio Ishikawa	Supervision of General Administration Dept. and Controller Dept.
Executive Vice President	Kohei Wakabayashi	Supervision of Corporate Planning Dept., and Finance and Investor Relations Dept.
Senior Vice President	Hideki Iwanami	In charge of General Administration Dept. and Controller Dept.
Senior Vice President	Shinichi Okada	In charge of Corporate Planning Dept., and Finance and Investor Relations Dept.

· Corporate Officers retired during the 9<sup>th</sup> term are as follows.

Position	Name	Retirement Date
Executive Vice President	Kohei Wakabayashi	March 31, 2011
Senior Vice President	Hideki Iwanami	March 31, 2011

· Positions and duties of Corporate Officers were changed as follows effective April 1, 2011.

Position	Name	Duty
President & CEO	Hajime Bada	Chief Executive Officer (CEO)
Executive Vice President	Yoshio Ishikawa	Supervision of General Administration Dept., Corporate Planning Dept., Finance and Investor Relations Dept., and Controller Dept.
Senior Vice President	Shinichi Okada	In charge of Corporate Planning Dept., and Finance and Investor Relations Dept.
Vice President	Yasushi Yamamura	In charge of General Administration Dept. and Controller Dept.

(2) Remuneration for Director and Corporate Auditor during the 9<sup>th</sup> term

	Staff Size	Amount (thousands of yen)
Director	9	387,979
Corporate Auditor	5	113,043

(Note)

1. The above includes two Directors and one Corporate Auditors retired during the term.
2. The total amount of remuneration paid to the six Outside Directors/Corporate Auditors is 49,403 thousand yen.
3. The total amounts of remuneration for a Director and Corporate Auditor include the total amount of the Director's bonus and the Corporate Auditor's bonus, which are 32,690 thousand yen and 7,800 thousand yen, respectively, based on the proposal "Payment of Directors' and Corporate Auditors' bonuses" to be proposed to the 9th Ordinary General Meeting of Shareholders to be held on June 22, 2011.

(3) Outside Directors/Corporate Auditors

(Translation for reference only)

- 1) Significant entities where the Outside Directors/Corporate Auditors concurrently hold positions are listed on Page 15.  
There is no special relationship between those entities and JFE Holdings.
- 2) Activities during the Fiscal Year ended March 31, 2011
  - Shigeo Asai, Director  
Shigeo Asai had perfect attendance at the meetings of the Board of Directors, which were held 14 times during the term. Having been devoted to research on modern steel technology for a long time, he has excellent knowledge and deep insight and spoke to the point at the meetings.
  - Akimitsu Ashida, Director  
Akimitsu Ashida had perfect attendance at the meetings of the Board of Directors, which were held 10 times since his assuming office on June 28, 2010. Having a wealth of experience in corporate management in a global setting, as well as experience in political activities with a global perspective, he spoke to the point at the meetings.
  - Toshikuni Nishinohara, Corporate Auditor  
Toshikuni Nishinohara had perfect attendance at the meetings of the Board of Directors and the Board of Corporate Auditors, which were held 14 and 12 times during the term, respectively. Having a wealth of experience in corporate management as well as deep insight into finance and accounting, he spoke to the point at the meetings.
  - Hiroyuki Itami, Corporate Auditor  
Hiroyuki Itami attended nine of the 10 meetings of the Board of Directors and had perfect attendance at the meetings of the Board of Corporate Auditors, which were held seven times since his assuming office on June 28, 2010. Having profound knowledge in management and business strategy as well as a wealth of knowledge in industrial fields through research on technology management, he spoke to the point at the meetings.
- 3) Outline of the contracts for limitation of liability  
JFE Holdings has entered into agreements, in accordance with the provision of Article 427, Paragraph 1, of the Companies Act, with all the Outside Directors and Outside Corporate Auditors to limit their liabilities to compensate damages under Article 423, Paragraph 1, of the Companies Act. Limitation on liability of each Outside Director and Outside Corporate Auditor to compensate damages under such agreements is set out to the amount set forth in the relevant laws and regulations.

## 5. Accounting Auditor

- (1) Designation of Accounting Auditor: Ernst & Young ShinNihon LLC
- (2) Amount of remuneration for the Accounting Auditor
  - 1) Amount of remuneration to be paid to by JFE Holdings to the Accounting Auditor pertaining to the fiscal year under review: 13,800 thousand yen
  - 2) Total amount of money and other financial profits to be paid by JFE Holdings and its subsidiaries to the Accounting Auditor: 410,226 thousand yen
  - 3) Amount of payments described in 2) above, which fall under the business set forth in Article 2, Paragraph 1, of the Certified Public Accountants Act: 407,886 thousand yen

(Note)

1. Of the significant subsidiaries of JFE Holdings, JFE Steel Australia Resources Pty Ltd., Philippine Sinter Corporation, and Thai Coated Steel Sheet Co., Ltd. are subject to audits of accounts by a certified public accountant or incorporated accounting firm other than the

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- Accounting Auditor of JFE Holdings.
2. The audit agreement between the Accounting Auditor and JFE Holdings does not separately stipulate audit remunerations based on the Companies Act or the Financial Instruments and Exchange Act, and such a distinction is for all intents and purposes impossible to execute. Hence, the remuneration in 1) above does not separate these two types of payment.
  - (3) Non-audit work  
Not applicable
  - (4) Policy on decisions of dismissal or non-reappointment of the Accounting Auditors  
The Board of Corporate Auditors shall, upon consent of all the Corporate Auditors, dismiss the Accounting Auditors after reviewing a case if it determines a circumstance falling under any of the items set forth in Article 340, Paragraph 1, of the Companies Act, to have occurred. In case any similar circumstance occurs, or if the Board of Corporate Auditors judges it necessary to do so, the Board of Corporate Auditors shall request that the Board of Directors submit a proposal for the dismissal or non-reappointment of the Accounting Auditors to a General Meeting of Shareholders.  
The Board of Directors shall submit a proposal for the dismissal or non-reappointment of the Accounting Auditors to a General Meeting of Shareholders after reviewing the case if requested by the Board of Corporate Auditors, or upon consent of the Board of Corporate Auditors if any the Accounting Auditors' duty is actually hindered from being executed or if the Board of Directors judges it necessary to do so.

## 6. Systems to Ensure Compliance of the Execution of Duties by Directors with Laws, Regulations and the Articles of Incorporation and Other Systems to Ensure the Propriety of Business Operations

JFE Holdings operates and improves the systems above pursuant to the following Basic Policies to Establish the Internal Control Systems, which were resolved by the Board of Directors.

### Basic Policies to Establish the Internal Control Systems

JFE Holdings shall establish its internal control systems as described below to comply with laws, regulations and the Articles of Incorporation and maximize its corporate value toward the realization of the Corporate Vision—"The JFE Group—contributing to society with the world's most innovative technology"—and the goal of establishing a highly sustainable business structure. JFE Holdings shall endeavor to review and improve the basic policies and the internal control systems established in accordance therewith on an ongoing basis

1. Systems Set Forth in Article 362, Paragraph 4, Item 6, of the Companies Act and in the Respective Items of Article 100, Paragraph 1, of the Ordinance for Enforcement of the Companies Act
  - (1) Systems to ensure compliance of the execution of duties by Directors and employees with laws, regulations and the Articles of Incorporation
    - (a) The authority of Directors, Corporate Officers and employees shall be clarified in the in-house rules for authority and responsibilities and other internal policy guidelines. Their respective duties shall be executed in compliance with the relevant rules and regulations.
    - (b) A Compliance Council shall be established. It shall deliberate and make decisions on the basic policies and important matters regarding the compliance of ethics, laws and regulations. The council shall also supervise the progress of the measures implemented.
    - (c) A "Corporate Ethics Hotline" to help ensure that important information regarding the

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- compliance of ethics, laws and regulations is directly communicated from the front lines to top management shall be provided, streamlined and appropriately operated.
- (d) The internal auditing department shall audit the compliance conditions of the relevant laws, regulations and the Articles of Incorporation.
- (2) Systems to ensure the efficient execution of Directors' duties
- (a) The Directors shall encourage in-depth deliberations at the meetings of the Board of Directors and the Management Committee. The Directors shall also sufficiently deliberate before drawing conclusions at appropriate organizational bodies, as required.
  - (b) The internal auditing department shall audit the effectiveness and efficiency of the business.
- (3) Systems to keep and manage information pertaining to the execution of duties by Directors
- (a) The minutes of the Board of Directors meetings shall be prepared with regard to information on matters to be resolved by and reported to the Board of Directors, in accordance with the relevant laws and regulations. The board minutes shall be appropriately kept and managed.
  - (b) Information regarding organizational bodies, such as the Management Committee, that addresses important management matters shall be appropriately recorded, stored and managed.
  - (c) Important corporate documents, such as kessaisho (documents for approval), which are related to the execution of Directors' duties, shall be appropriately recorded, stored and managed.
- (4) Rules and other systems regarding loss risk management
- (a) As for risk management of risks involving business activities, compliance with ethics, laws and regulations, financial reporting and information disclosure, the Corporate Officers in charge shall endeavor to recognize their respective risks. The appropriate organizational bodies shall check, identify and evaluate the risk factors, as required, and deliberate and make decisions on how to cope therewith.
  - (b) Important management matters shall be deliberated and decided in accordance with the decision-making procedures set forth in the Rules of the Board of Directors, etc.
- (5) Systems to ensure the propriety of business operations conducted by the corporate group
- (a) The respective Group companies of the JFE Group shall streamline their in-house systems with regard to the matters specified in the basic policies, as required, by taking into account their corporate size, business lines, organizational design of the in-house body, and corporate individuality and characteristics.
  - (b) Risk management system  
JFE Holdings shall deliberate and make decisions regarding important group management matters in accordance with the decision-making procedures set forth in the Rules of the Board of Directors, etc. Each Operating Company (significant subsidiaries being operating companies of which JFE Holdings directly holds shares thereof) shall, determine its decision-making procedures for important matters of it and its affiliated Group companies to deliberate and make decisions thereon pursuant to its Rules of the Board of Directors, etc.
  - (c) Ethics, laws and regulations compliance system  
JFE Holdings shall establish the JFE Group Compliance Council to deliberate and make decisions on the basic policies and important matters regarding compliance with ethics, laws and regulations within the Group. The council shall also supervise the progress of the measures implemented. Furthermore, the council shall promote corporate management compliant with ethics, laws and regulations at all the Group companies in collaboration with the Compliance Council of each operating company.

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Each operating company shall establish a Compliance Council to deliberate and make decisions on the basic policies and important matters regarding the compliance of ethics, laws and regulations of itself and the affiliated group companies. The council shall also supervise the progress of the measures implemented.

The respective Group companies affiliated with an operating company shall streamline their required ethics, laws and regulations compliance systems by taking into account their corporate size, business lines, organizational design of the in-house body, and corporate individuality and characteristics.

(d) Financial reporting and information disclosure systems

The respective Group companies of the JFE Group shall streamline their required systems, which are necessary to ensure the reliability of their financial reporting, and disclose appropriate information at appropriate times.

2. Systems Set Forth in the Respective Items of Article 100, Paragraph 3, of the Ordinance for Enforcement of the Companies Act

(1) Matter regarding employees as assistants to support Corporate Auditor' duties

Employees who support any Corporate Auditor in conducting his/her duties shall be staff of the Corporate Auditor's Secretariat.

(2) Matter regarding the independence of employees as assistant to support Corporate Auditor's duties from Directors

The personnel affairs of the employees who serve as assistants to the Corporate Auditors shall be consulted with the Corporate Auditors.

(3) System for reporting to the Corporate Auditors

(a) The Corporate Auditors shall attend the meetings of the Board of Directors, the Management Committee and other important meetings and receive reports thereat.

(b) The Directors, Corporate Officers and employees shall report the execution of their duties to the Board of Corporate Auditors and/or any Corporate Auditor as required or if so requested by the Board of Corporate Auditors or any Corporate Auditor.

(4) Other systems to ensure effective audits by the Corporate Auditors

(a) The Directors, Corporate Officers and employees shall cooperate with the Corporate Auditors in improving the auditing environment so that various Corporate Auditors' activities can be smoothly executed, including access to important documents, site examinations, exchanges of opinion with Directors and others, examination of subsidiaries and collaboration with the Corporate Auditors of any subsidiaries, all of which are considered necessary for the audits executed by the Corporate Auditors.

(b) The Corporate Auditors shall receive reports from the Accounting Auditors and the internal auditing department on their audit results in an appropriate and timely manner and maintain a close working arrangement with the Accounting Auditors and the internal auditing department.

## 7. Basic Policy Regarding the Control of the Company

(1) Basic policy

JFE Holdings believes that a change of control is an effective means of revitalizing corporate activities and economy, and JFE Holdings believes that when a large-scale purchase is commenced, the shareholders of JFE Holdings should, in principle, make decisions as to whether or not the large-scale purchase is acceptable.

However, with respect to a large-scale purchase or a proposal related to a large-scale purchase, JFE Holdings recognizes that the shareholders of JFE Holdings need to precisely evaluate the effects of the large-scale purchase or the proposal on the corporate value of JFE Holdings and the common interests of the shareholders. For this purpose, JFE Holdings

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believes that both the large-scale purchaser and JFE Holdings' Board of Directors should promptly provide the shareholders with necessary and sufficient information, opinions and suggestions, and that the shareholders should be given necessary and enough time to review them.

(2) Special initiatives that contribute to the realization of the basic policy

· Corporate vision and basic management stance

The JFE Group's basic management stance is to endeavor to increase, in good faith, the corporate value and achieve the common interests of the shareholders by committing to the corporate vision of contributing to society with the world's most innovative technology.

· Performance since the incorporation of the Group

In the First Medium-Term Business Plan (fiscal years 2003–2005) and the Second Medium-Term Business Plan (fiscal years 2006–2008), which followed the corporate foundation, the Group steadily addressed building a highly profitable business structure and improving the financial base to promote future growth. As a result, the Group recorded high profitability by maximally exerting its purposes for incorporation.

In the subsequent severe recessionary phase triggered by the global financial crisis, the Group has urgently implemented cost reductions and rigorously engaged in production and sales aligned with demand. At the same time, we have focused attention on rapidly capitalizing on demand in developing countries in Asia and achieved profitability on a consolidated ordinary income basis even under stringent business environment.

· Drive for new growth trajectory

In the steel business, we will undertake to ensure stable quality, improve profitability, and maintain competitiveness by means of stable operation of manufacturing facilities. On that basis, we will promote further sales expansion in Japan and in export markets, establish a solid sales structure, and develop systems capable of dependably producing and selling 33 million tons.

In addition, we will continue to actively develop our current overseas businesses and deliver results from each business including construction completion of cold-rolled steel sheet manufacturing facilities and a smooth start-up of operation at Guangzhou JFE Steel Sheet Co., Ltd. and initiation of activities aimed at expanding the cooperative relationship with JSW Steel Ltd. in India in technology and production. Furthermore, we will work to secure a raw materials interest ratio of 30%.

To sustain a top-flight level of competitiveness as a means to achieve future business breakthroughs, the R&D, production, and sales departments will continue to work together and focus on product development and process development with a ten-year outlook.

In the engineering business, we will continue to actively develop our business, mainly in the areas of the environment and energy. Specifically, in Japan we will propose fast-acting solutions for the reconstruction of public infrastructure based on our wide-ranging technologies and extensive product line. Overseas, we will seek to increase orders received by continuing our active involvement in solutions to global environmental problems, which a number of countries have begun to address in earnest.

· Reinforcing corporate governance

Toward the goal of enhancing corporate value and achieving the common interests of the shareholders by thoroughly pursuing transparency and fairness in its management, JFE Holdings has established and streamlined various systems and mechanisms with regard to corporate governance.

As the JFE Group's business activities consist of several business segments with different characteristics, the actual execution of the respective businesses is delegated to the group-affiliated operating companies of the Group. Meanwhile, JFE Holdings, a pure holding company, has improved the effectiveness of corporate management through the

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overall control of group management and has strengthened corporate governance with initiatives such as the audits by the Corporate Auditors including Outside Corporate Auditors, the appointment of several Outside Directors and a reduction in the term of office of the Directors.

As for the near-term operation of business activities, JFE Holdings is determined to increase the corporate value of JFE Holdings and the common interests of the shareholders by thoroughly pursuing fair, objective and transparent corporate governance.

· With all the stakeholders

The JFE Group makes diverse efforts to obtain the support and cooperation of each and every stakeholder. Such proactive efforts include arranging factory visit tours at the Works to extend and deepen communications with shareholders; increasing the competitiveness of the Japanese manufacturing industry via technical tie-ups with customers; developing technologies that preserve the global environment; promoting the employment of workers including midcareer job seekers; maintaining sound labor-management relations and safe working conditions; and coexisting with local communities.

(3) Initiatives to prevent decisions on financial and business policies from being controlled by non-qualified parties that are against the Group's basic policies

JFE Holdings, at the meeting of the Board of Directors held on June 25, 2009, resolved to continue to operate the "Policy toward Large-scale Purchases of JFE Holdings Shares" (the "Policy"), which was implemented in March 2007.

Specifically, the Policy requires any large-scale purchaser that has the intent to hold 20% or more in the voting rights ratio to present in advance its management policies and business plans after the completion of the intended large-scale purchase. For a certain period thereafter, JFE Holdings' Board of Directors evaluates and examines the proposal from the following viewpoints: whether the large-scale purchaser has complied with the rules according to the Policy; whether the content of the proposal would irretrievably harm JFE Holdings; or whether the proposal would seriously impair the corporate value of JFE Holdings or the common interests of the shareholders. The Board of Directors may also disclose its opinion externally, negotiate with the large-scale purchaser and submit any alternative plans to the shareholders. In addition, JFE Holdings will establish the Special Committee, which will consist of three Outside Directors and Outside Corporate Auditors. In case the Special Committee submits recommendations to JFE Holdings' Board of Directors to the effect that the Board should take countermeasures to prevent the large-scale purchase, the Board of Directors may take countermeasures against the large-scale purchaser to protect the corporate value of JFE Holdings and the common interests of the shareholders by referring to advice from outside professionals and respecting the recommendations to the maximum extent possible. Such countermeasures include the issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Companies Act or other laws and JFE Holdings' Articles of Incorporation.

(4) The confirmation that the above initiatives are compliant with the basic policy and do not impair the common interests of the shareholders or intend to improperly protect any executive positions, as well as the reasons thereof

The Policy aims to guarantee that, following an action for a large-scale purchase, shareholders can accurately evaluate its impact on JFE Holdings' corporate value and the common interests of shareholders. The Policy provides shareholders with adequate and necessary information, including opinions and suggestions, and adequate and necessary time, to review such information once a large-scale purchase commences. Accordingly, the Policy compliant with the above basic policy does not intend to impair the common interests of the shareholders.

In addition, the continuation of the Policy was approved at the Ordinary General Meeting of Shareholders two years ago and the establishment of the Special Committee, which consists of three Outside Directors and Outside Corporate Auditors, as an organization independent

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from JFE Holdings' Board of Directors, are to ensure that the decisions of the Board of Directors relative to a large-scale purchase are made in a transparent, objective, fair and reasonable manner. The Policy also does not intend to improperly protect any executive positions of JFE Holdings.

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(Note)

As for fractions less than the respective units in the Business Report, the amounts and the number of shares are rounded down, whereas ratios and other values are rounded off.

(Translation for reference only)

### Consolidated Balance Sheets

As of March 31, 2011

(Millions of yen)

Items	Amount	Items	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>1,401,391</b>	<b>Current liabilities</b>	<b>1,039,675</b>
Cash and deposits	49,591	Notes and accounts payable-trade	353,865
Notes and accounts receivable-trade	547,922	Short-term loans payable	229,652
Merchandise and finished goods	254,612	Commercial papers	27,994
Work in process	52,589	Current portion of bonds	60,000
Raw materials and supplies	359,321	Other	368,163
Deferred tax assets	43,996	<b>Noncurrent liabilities</b>	<b>1,458,658</b>
Other	93,757	Bonds payable	289,997
Allowance for doubtful accounts	(398)	Bonds with subscription rights to shares	300,000
<b>Noncurrent assets</b>	<b>2,574,255</b>	Long-term loans payable	588,768
<b>Property, plant and equipment</b>	<b>1,712,318</b>	Deferred tax liabilities	8,743
Buildings and structures	424,751	Deferred tax liabilities for land revaluation	12,355
Machinery, equipment and vehicles	667,200	Provision for retirement benefits	127,605
Land	520,408	Provision for special repairs	35,420
Construction in progress	71,499	Provision for loss on specific business	35,572
Other	28,458	Other	60,194
<b>Intangible assets</b>	<b>62,549</b>	<b>Total liabilities</b>	<b>2,498,334</b>
<b>Investments and other assets</b>	<b>799,387</b>	<b>(NET ASSETS)</b>	
Investment securities	654,797	<b>Shareholders' equity</b>	<b>1,464,913</b>
Deferred tax assets	64,064	<b>Capital stock</b>	<b>147,143</b>
Other	86,172	<b>Capital surplus</b>	<b>651,964</b>
Allowance for doubtful accounts	(5,647)	<b>Retained earnings</b>	<b>1,081,697</b>
<b>Deferred assets</b>	<b>997</b>	<b>Treasury stock</b>	<b>(415,890)</b>
Bond issuance cost	997	<b>Valuation and translation adjustments</b>	<b>(27,318)</b>
		Valuation difference on available-for-sale securities	7,878
		Deferred gains or losses on hedges	29
		Revaluation reserve for land	12,097
		Foreign currency translation adjustment	(47,324)
		<b>Minority interests</b>	<b>40,715</b>
		<b>Total net assets</b>	<b>1,478,310</b>
<b>Total assets</b>	<b>3,976,644</b>	<b>Total liabilities and net assets</b>	<b>3,976,644</b>

(Note) Amounts are rounded down to the nearest million yen.

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### Consolidated Statements of Income

From April 1, 2010 to March 31, 2011

(Millions of yen)

Items	Amount	
<b>Net sales</b>		<b>3,195,560</b>
<b>Cost of sales</b>		<b>2,765,721</b>
<b>Gross profit</b>		<b>429,838</b>
<b>Selling, general and administrative expenses</b>		<b>247,028</b>
<b>Operating income</b>		<b>182,810</b>
<b>Non-operating income</b>		
Interest income	837	
Dividends income	5,933	
Rent income	6,882	
Equity in earnings of affiliates	16,312	
Other	16,903	46,869
<b>Non-operating expenses</b>		
Interest expenses	16,463	
Foreign exchange losses	9,388	
Loss on retirement of noncurrent assets	12,838	
Other	25,183	63,874
<b>Ordinary income</b>		<b>165,805</b>
<b>Extraordinary income</b>		
Gain on negative goodwill	3,755	3,755
<b>Extraordinary loss</b>		
Loss on adjustment for changes of accounting standard for asset retirement obligations	5,306	
Impairment loss	8,124	
Loss on valuation of investment securities	4,787	
Provision for loss on litigation	7,713	
Loss on disaster	28,361	54,293
<b>Income before income taxes</b>		<b>115,267</b>
Income taxes-current	32,060	
Income taxes-deferred	21,349	53,410
<b>Income before minority interests</b>		<b>61,856</b>
Minority interests in income		3,247
<b>Net Income</b>		<b>58,608</b>

(Note) Amounts are rounded down to the nearest million yen.

(Translation for reference only)

### Consolidated Statements of Changes in Net Assets

(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	147,143	657,258	1,039,399	(426,602)	1,417,198
Changes during the consolidated fiscal year					
Dividends from surplus			(21,165)		(21,165)
Net income			58,608		58,608
Purchase of treasury stock				(797)	(797)
Disposal of treasury stock		(5,294)		11,509	6,215
Increase resulting from change in scope of consolidation			5,345		5,345
Decrease resulting from change in scope of consolidation			(398)		(398)
Reversal of revaluation reserve for land			(92)		(92)
Net changes of items other than shareholders' equity					
Total changes during the consolidated fiscal year	—	(5,294)	42,297	10,712	47,715
Balance at March 31, 2011	147,143	651,964	1,081,697	(415,890)	1,464,913

(Millions of yen)

	Valuation and translation adjustments					Minority interests	Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at March 31, 2010	33,392	(52)	12,004	(40,292)	5,051	43,648	1,465,898
Changes during the consolidated fiscal year							
Dividends from surplus							(21,165)
Net income							58,608
Purchase of treasury stock							(797)
Disposal of treasury stock							6,215
Increase resulting from change in scope of consolidation							5,345
Decrease resulting from change in scope of consolidation							(398)
Reversal of revaluation reserve for land							(92)
Net changes of items other than shareholders' equity	(25,514)	82	92	(7,031)	(32,370)	(2,933)	(35,303)
Total changes during the consolidated fiscal year	(25,514)	82	92	(7,031)	(32,370)	(2,933)	12,411
Balance at March 31, 2011	7,878	29	12,097	(47,324)	(27,318)	40,715	1,478,310

(Note) Figures are rounded down to the nearest million yen.

(Translation for reference only)

(Reference)

### Consolidated Statements of Cash Flows

(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Item	Amount
I. Net cash provided by (used in) operating activities	
Income before income taxes	115,267
Depreciation and amortization	246,666
Increase (decrease) in allowance for doubtful accounts	6,305
Interest and dividends income	(6,770)
Interest expenses	16,463
Decrease (increase) in notes and accounts receivable-trade	(74,259)
Decrease (increase) in inventories	(42,275)
Increase (decrease) in notes and accounts payable-trade	(9,212)
Other	30,729
Subtotal	282,913
Interest and dividends income received	12,746
Interest expenses paid	(16,858)
Income taxes (paid) refund	23,801
Total net cash provided by (used in) operating activities	302,603
II. Net cash provided by (used in) investing activities	
Purchase of noncurrent assets	(186,618)
Proceeds from sales of noncurrent assets	11,398
Purchase of investment securities	(130,303)
Proceeds from sales of investment securities	999
Other	2,240
Total net cash provided by (used in) investing activities	(302,282)
III. Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	1,038
Increase (decrease) in commercial papers	13,996
Proceeds from long-term loans payable	130,850
Repayment of long-term loans payable	(128,402)
Proceeds from issuance of bonds	80,000
Redemption of bonds	(70,040)
Purchase of treasury stock	(779)
Cash dividends paid by parent company	(21,324)
Other	17,734
Total net cash provided by (used in) financing activities	23,073
IV. Effect of exchange rate change on cash and cash equivalents	(7,024)
V. Net increase (decrease) in cash and cash equivalents	16,369
VI. Balance at March 31, 2010 of cash and cash equivalents	32,342
VII. Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	332
VIII. Balance at March 31, 2011 of cash and cash equivalents	49,043

(Translation for reference only)

(Reference)

### **Segment Information**

(From April 1, 2010 to March 31, 2011)

#### 1. Overview of Reportable Segments

The JFE Group has adopted a business execution structure adapted to the characteristics of the Group's business fields, consisting of holding company JFE Holdings and five subordinate operating companies: JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation, JFE Urban Development Corporation, and Kawasaki Microelectronics, Inc.

The Group has five reportable segments, one for each operating company (consolidated basis), characterized by their constituent products and services: Steel, Engineering, Shipbuilding, Urban Development, and LSI.

- Steel: various steel products, steel processed products and raw materials, etc., as well as the transportation business and peripheral businesses such as the equipment maintenance and equipment work businesses
- Engineering: engineering etc. related to energy, urban environment, recycling, steel structures, industrial systems, etc.
- Shipbuilding: merchant ships and various naval vessels, etc. and their repair
- Urban Development: sale of condominiums, real estate solutions, asset utilization, etc.
- LSI: various LSI products

#### 2. Method of calculating net sales, income or loss, assets, and other items by reportable segment

Reportable segment profit is ordinary income. Inter-segment transactions are inter-company transactions and are based on market prices.

(Translation for reference only)

3. Information concerning net sales, income or loss, assets, liabilities, and other items by reportable segment

(Millions of yen)

	Reporting segment						Adjustments	Amount recorded on consolidated financial statements
	Steel	Engineering	Shipbuilding	Urban development	LSI	Total		
Net sales								
Net sales (unaffiliated customer)	2,694,316	253,644	210,753	12,669	24,176	3,195,560	—	3,195,560
Intersegment sales or transfers	53,107	11,468	59	710	—	65,345	(65,345)	—
Total	2,747,423	265,112	210,812	13,379	24,176	3,260,905	(65,345)	3,195,560
Segment income (loss)	134,294	12,207	17,191	(736)	1,693	164,650	1,154	165,805
Segment Assets	3,652,312	260,556	184,985	10,677	19,364	4,127,896	(151,251)	3,976,644
Others								
Depreciation and amortization	234,141	5,498	5,077	334	1,602	246,653	12	246,666
Amortization of goodwill	149	163	3,462	—	0	3,776	(146)	3,629
Interest income	1,256	157	33	1	1	1,450	(613)	837
Interest expenses	17,543	366	26	57	45	18,039	(1,576)	16,463
Equity in earnings (losses) of affiliates	17,873	(258)	—	—	—	17,614	(1,302)	16,312
Investment in companies accounted for by equity method	229,765	23,415	—	—	—	253,181	(3,302)	249,879
Increase in property, plant, equipment, and intangible assets	162,459	12,481	4,396	199	950	180,488	4	180,492

(Additional Information)

Beginning in the fiscal year ended March 31, 2011, the Company has applied “Financial Accounting Standard for Segment Information Disclosure” (ASBJ Accounting Standard No. 17, March 27, 2009) and “Application Guideline for Accounting Standards Concerning the Disclosure of Segment Information, Etc.” (Corporate Accounting Standards Application Guideline No. 20, March 21, 2008).

(Translation for reference only)

### Non-consolidated Balance Sheets

As of March 31, 2011

(Millions of yen)

Items	Amount	Items	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>588,874</b>	<b>Current liabilities</b>	<b>456,055</b>
Cash and deposits	7,629	Short-term loans payable	211,200
Operating accounts receivable	3,232	Commercial papers	27,994
Short-term loans receivable	567,503	Current portion of bonds	60,000
Deferred tax assets	21	Lease obligations	1
Other	10,487	Accounts payable-other	8,492
		Accrued expenses	3,411
		Deposits received	144,914
		Allowance for bonuses for directors and corporate auditors	40
<b>Noncurrent assets</b>	<b>2,043,729</b>	<b>Noncurrent liabilities</b>	<b>1,142,470</b>
<b>Property, plant and equipment</b>	<b>5</b>	Bonds payable	269,997
Tools, furniture and fixtures	2	Bonds with subscription rights to shares	300,000
Lease assets	2	Long-term loans payable	572,400
Construction in progress	0	Lease obligations	0
		Allowance for directors' retirement benefits	67
		Other	5
<b>Intangible assets</b>	<b>30</b>		
Right of trademark	21		
Software	8	<b>Total liabilities</b>	<b>1,598,526</b>
<b>Investments and other assets</b>	<b>2,043,694</b>	<b>(NET ASSETS)</b>	
Stocks of subsidiaries and affiliates	905,924	<b>Shareholders' equity</b>	<b>1,035,031</b>
Investments in capital	4	<b>Capital stock</b>	<b>147,143</b>
Long-term loans receivable	1,137,570	<b>Capital surplus</b>	<b>772,574</b>
Long-term prepaid expenses	21	Legal capital surplus	772,574
Deferred tax assets	121	<b>Retained earnings</b>	<b>528,075</b>
Other	53	Other retained earnings	528,075
		Retained earnings brought forward	528,075
<b>Deferred assets</b>	<b>953</b>	<b>Treasury Stock</b>	<b>(412,760)</b>
Bond issuance cost	953		
		<b>Total net assets</b>	<b>1,035,031</b>
<b>Total assets</b>	<b>2,633,557</b>	<b>Total liabilities and net assets</b>	<b>2,633,557</b>

(Note) Amounts are rounded down to the nearest million yen.

(Translation for reference only)

**Non-consolidated Statements of Income**

From April 1, 2010 to March 31, 2011

(Millions of yen)

Items	Amount	
Operating revenue		
Dividends income	8,143	
Financial revenue	17,179	
Management fee income	2,769	28,092
Operating expenses		
Financial expenses	17,222	
General and administrative expenses	2,434	19,656
<b>Operating income</b>		<b>8,436</b>
Non-operating expenses		
Loss on retirement of noncurrent assets	0	
Loss on valuation of stocks of subsidiaries and affiliates	126	126
<b>Ordinary income</b>		<b>8,309</b>
<b>Income before income taxes</b>		<b>8,309</b>
Income taxes-current		108
Income taxes-deferred		128
<b>Net Income</b>		<b>8,072</b>

(Note) Amounts are rounded down to the nearest million yen.

(Translation for reference only)

**Non-consolidated Statements of Changes in Net Assets**

From April 1, 2010 to March 31, 2011

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other retained earnings		
			Retained earnings brought forward		
Balance at March 31, 2010	147,143	772,574	547,076	(424,736)	1,042,057
Changes during the fiscal year					
Dividends from surplus			(21,165)		(21,165)
Net income			8,072		8,072
Purchase of treasury stock				(797)	(797)
Disposal of treasury stock			(5,909)	12,773	6,864
Total changes during the fiscal year	—	—	(19,001)	11,976	(7,025)
Balance at March 31, 2011	147,143	772,574	528,075	(412,760)	1,035,031

(Note) Amounts are rounded down to the nearest million yen.

(Translation for reference only)

**The Report of the Independent Auditors on the Consolidated Financial Statements  
Translation of a Report Originally Issued in Japanese**

Report of Independent Auditors

May 9, 2011

Mr. Hajime Bada  
Representative Director and President  
JFE Holdings, Inc.

Ernst & Young ShinNihon LLC

Kazunori Tanigami  
Certified Public Accountant  
Designated and Engagement Partner

Yasuharu Nakajima  
Certified Public Accountant  
Designated and Engagement Partner

Shin Ichinose  
Certified Public Accountant  
Designated and Engagement Partner

Yusuke Nakamura  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the consolidated financial statements (i.e., the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets) and the notes to the consolidated financial statements of JFE Holdings, Inc. (the “Company”) applicable to the fiscal year from April 1, 2010 through March 31, 2011. These consolidated financial statements are the responsibility of the Company’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of JFE Holdings, Inc. and consolidated subsidiaries applicable to the fiscal year ended March 31, 2011 in conformity with accounting principles generally accepted in Japan.

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Translation for reference only)

**The Report of the Independent Auditors on the Non-consolidated Financial Statements  
Translation of a Report Originally Issued in Japanese**

Report of Independent Auditors

May 9, 2011

Mr. Hajime Bada  
Representative Director and President  
JFE Holdings, Inc.

Ernst & Young ShinNihon LLC

Kazunori Tanigami  
Certified Public Accountant  
Designated and Engagement Partner

Yasuharu Nakajima  
Certified Public Accountant  
Designated and Engagement Partner

Shin Ichinose  
Certified Public Accountant  
Designated and Engagement Partner

Yusuke Nakamura  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the non-consolidated financial statements (i.e., the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets), the notes to the non-consolidated financial statements and the related supplementary schedules of JFE Holdings, Inc. (the “Company”) applicable to the 9th fiscal year from April 1, 2010 through March 31, 2011. These non-consolidated financial statements and the related supplementary schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these non-consolidated financial statements and the related supplementary schedules 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 non-consolidated financial statements and the related supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and the related supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the related supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of JFE Holdings, Inc. applicable to the fiscal year ended March 31, 2011 in conformity with accounting principles generally accepted in Japan.

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Translation for reference only)

## The Audit Report of the Board of Corporate Auditors

### The Audit Report

Regarding the performance of duties by Directors for the 9th fiscal year, which began April 1, 2010 and ended March 31, 2011, the Board of Corporate Auditors of JFE Holdings, Inc., hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Corporate Auditors.

#### 1. Auditing Methods Employed by the Corporate Auditors and the Board of Corporate Auditors and the Substance Thereof

- (1) In compliance with the Auditing Rules of the Corporate Auditors and auditing plans specified by the Board of Corporate Auditors and based on the assigned tasks and others, each Corporate Auditor has communicated with the Directors, the Corporate Officers and other relevant personnel to collect necessary information and improve the auditing environment. Each Corporate Auditor has audited in the following manner.
- 1) Each Corporate Auditor has attended the meetings of the Board of Directors and other important meetings; heard about the execution of their duties from the Directors, the Corporate Officers and other relevant personnel; requested explanations therefrom, as required; examined important *kessaisho* and associated information; and studied the operations and financial position of JFE Holdings.  
Moreover, each Corporate Auditor has communicated and exchanged information with the Directors, the Corporate Auditors and other relevant personnel of the subsidiaries, received reports on operations therefrom, visited subsidiaries and studied the operations and financial position of the subsidiaries, as required.
  - 2) Each Corporate Auditor has supervised and verified the substance of the resolution adopted by the Board of Directors with regard to the improvement of the systems stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act as the systems to ensure compliance of the execution of Directors' duties described in the Business Report with laws, regulations and the Articles of Incorporation and other requirements to ensure the propriety of business operations, as well as the current situation of in-house systems (internal control systems) that have been improved and operated pursuant to the resolution concerned.  
Moreover, each Corporate Auditor has heard about the internal control relative to financial reporting from the Directors, the Corporate Officers and Ernst & Young ShinNihon LLC at the proper time and requested explanations therefrom, as required.
  - 3) Each Corporate Auditor has confirmed the substance of the Basic Policy Regarding Control of a Company (matters set forth in Article 118, Items 3 (a) and (b), of the Ordinance for Enforcement of the Companies Act), which is described in the Business Report.
  - 4) Each Corporate Auditor has supervised and verified whether the Accounting Auditors maintain independence and have done appropriate audits, and have received reports on the execution of their duties and requested explanations, as required, from the Accounting Auditors. In addition, each Corporate Auditor has been notified that "Systems to Ensure Appropriate Execution of Duties" (matters set forth in the respective items of Article 131 of the Company Accounting Ordinance) have been improved in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005) and others, and requested explanations therefrom, as required.
- (2) The Board of Corporate Auditors determined auditing plans, assigned tasks and others; received reports about the progress and results of audits from each Corporate Auditor; received reports on the execution of their duties; and requested explanations, as required, from the Directors, the Corporate Officers and the Accounting Auditors.

In the manner explained above, each Corporate Auditor and the Board of Corporate Auditors have examined the Business Report and supplementary schedules thereof, the consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to the Consolidated Financial Statements), as well as the non-consolidated financial statements (Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements) and supplementary schedules thereof of JFE Holdings, pertaining to the fiscal year ended March 31, 2011.

(Translation for reference only)

## 2. Audit Results

### (1) Audit results regarding the Business Report, etc.

- 1) In our opinion, the Business Report and the supplementary schedules thereof fairly represent JFE Holdings' conditions in accordance with the related laws and regulations and the Articles of Incorporation.
- 2) We have found no evidence of wrongful action or material violation of laws, regulations or the Articles of Incorporation with regard to the execution of any Directors' duties.
- 3) In our opinion, the substance of the resolution regarding the internal control systems is fair and reasonable. We have found no matters to remark with regard to the execution of duties by the Directors concerning the internal control systems, including internal control relative to financial reporting.  
As for the alleged incident regarding the Antimonopoly Act of a subsidiary, which is described in the Business Report. We have confirmed that we now address the prevention of a recurrence and more stringent compliance as a whole group.
- 4) We have found no matters to remark with regard to the Basic Policy Regarding Control of a Company. In our opinion, each initiative taken under the policies complies with said policies. Accordingly, they do not impair the common interests of JFE Holdings' shareholders or have the intention of improperly protecting any executive positions at JFE Holdings.

### (2) Audit results regarding the consolidated financial statements

In our opinion, the audit methods and results employed and rendered by the Accounting Auditors, Ernst & Young ShinNihon LLC, are fair and reasonable.

### (3) Audit results regarding the non-consolidated financial statements and the supplementary schedules thereof

In our opinion, the audit methods and results employed and rendered by the Accounting Auditors, Ernst & Young ShinNihon LLC, are fair and reasonable.

May 11, 2011

Board of Corporate Auditors of JFE Holdings, Inc.

Corporate Auditor (Full-time)	Toshikuni Yamazaki
Corporate Auditor (Full-time)	Kunio Akita
Outside Corporate Auditor	Toshikuni Nishinohara
Outside Corporate Auditor	Hiroyuki Itami

(Translation for reference only)

## Reference Materials for General Meeting of Shareholders

### Proposal and Reference Matters:

#### Proposal 1: Dividend of surplus

The Company believes that appropriation of profit to shareholders is one of the most critical management objectives, and considers that its basic policy is to actively distribute dividends while building as a Group, a sustainable, highly profitable business structure, and pursuing investments and improving the financial base to promote growth.

Based on this basic policy, the Company proposes to distribute dividend of surplus as of the end of the 9<sup>th</sup> term as follows:

1. Type of dividend property  
Cash
2. Allotment of dividend property to the shareholders and total amount of dividends  
15 yen per share (Common stock)                      Total amount: 7,971,294,945 yen  
The annual dividends from surplus, including the interim dividend of 20 yen per share paid in November 2010, amount to 35 yen per share.
3. Effective date of dividend of surplus  
June 23, 2011

#### Proposal 2: Payment of Directors' and Corporate Auditors' bonuses

The Company proposes to pay bonuses of 32,690 thousand yen in total to five of the seven Directors (including 3,220 thousand yen to two Outside Directors) and 7,800 thousand yen in total to four Corporate Auditors as of the end of the 9<sup>th</sup> term, in consideration of the Company's business results for the 9<sup>th</sup> term.

(Translation for reference only)

**Proposal 3: Election of 6 Directors**

As Mr. Kohei Wakabayashi retired as Director on April 1, 2011 and the terms of office of all six Directors expire at the close of this General Meeting of Shareholders, the Company proposes to elect six Directors including two Outside Directors.

The candidates for Directors are as follows.

**Candidates for Directors (6 candidates)**

No.	Name (Date of birth)	Brief personal history, positions and responsibilities, and significant concurrent posts	Number of the Company's shares held
1	Hajime Bada (October 7, 1948)	<p>April 1973      Joined Kawasaki Steel Corporation  June 2000      Director of Kawasaki Steel  April 2003      Senior Vice President of JFE Steel Corporation  April 2005      Representative Director, President and CEO of JFE Steel Corporation  June 2005      Director of JFE Holdings, Inc.  April 2009      Representative Director of JFE Holdings, Inc.  April 2010      Retired as Representative Director, President and CEO of JFE Steel Corporation  Representative Director, President and CEO of JFE Holdings, Inc. (current post)</p> <p>(Significant concurrent posts)  Chairman of JFE 21<sup>st</sup> Century Foundation  (Duties as Corporate Officer)  CEO (Chief Executive Officer)</p>	21,200
2	Eiji Hayashida (July 6, 1950)	<p>April 1973      Joined Kawasaki Steel Corporation  September 2002      Vice President of JFE Holdings, Inc.  April 2005      Senior Vice President of JFE Holdings, Inc.  June 2008      Representative Director, Senior Vice President of JFE Holdings, Inc.  March 2009      Director of JFE Holdings, Inc.  April 2009      Representative Director and Executive Vice President of JFE Steel Corporation  June 2009      Retired as Director of JFE Holdings, Inc.  April 2010      Representative Director, President and CEO of JFE Steel Corporation (current post)  June 2010      Representative Director of JFE Holdings, Inc. (current post)</p> <p>(Significant concurrent posts)  Representative Director, President and CEO of JFE Steel Corporation</p>	11,400

(Translation for reference only)

No.	Name (Date of birth)	Brief personal history, positions and responsibilities, and significant concurrent posts	Number of the Company's shares held
3	Yoshio Ishikawa (February 18, 1947)	<p>April 1970      Joined Nippon Kokan Corporation</p> <p>April 2000      Senior Director (Corporate Officer) of Nippon Kokan</p> <p>April 2003      Senior Vice President of JFE Steel Corporation</p> <p>April 2005      Representative Director and Executive Vice President of JFE Steel Corporation</p> <p>April 2010      Director of JFE Steel Corporation (current post)</p> <p>                    Executive Vice President of JFE Holdings, Inc. (current post)</p> <p>June 2010      Representative Director of JFE Holdings, Inc. (current post)</p> <p>(Significant concurrent posts)</p> <p>Director of JFE Steel Corporation</p> <p>(Duties as Corporate Officer)</p> <p>Supervision of General Administration Dept., Corporate Planning Dept., Finance and Investor Relations Dept., and Controller Dept.</p>	12,600
4	Sumiyuki Kishimoto (August 24, 1945)	<p>April 1970      Joined Nippon Kokan Corporation</p> <p>June 1997      Director of Nippon Kokan</p> <p>April 1999      Senior Director of Nippon Kokan</p> <p>April 2000      Executive Director (Corporate Officer) of Nippon Kokan</p> <p>February 2002   Executive Vice President (Corporate Officer) of Nippon Kokan</p> <p>June 2002      Representative Director of Nippon Kokan</p> <p>April 2003      Representative Director and Executive Vice President of JFE Steel Corporation</p> <p>April 2005      Retired as Representative Director and Executive Vice President of JFE Steel Corporation</p> <p>                    Representative Director, President and CEO of JFE Logistics Corporation</p> <p>April 2008      Retired as Representative Director, President and CEO of JFE Logistics Corporation</p> <p>                    Representative Director, President and CEO of JFE Engineering Corporation (current post)</p> <p>June 2008      Director of JFE Holdings, Inc. (current post)</p> <p>(Significant concurrent posts)</p> <p>Representative Director, President and CEO of JFE Engineering Corporation</p>	12,825

(Translation for reference only)

No.	Name (Date of birth)	Brief personal history, positions and responsibilities, and significant concurrent posts	Number of the Company's shares held
5	Akimitsu Ashida (April 10, 1943)	<p>April 1967      Joined Former Mitsui O.S.K. Lines, Ltd. (currently Mitsui O.S.K. Lines, Ltd.)</p> <p>June 2003      Representative Director, Executive Vice President of Mitsui O.S.K. Lines</p> <p>June 2004      Representative Director, President Executive Officer of Mitsui O.S.K. Lines</p> <p>June 2010      Representative Director, Chairman of the Board of Mitsui O.S.K. Lines (current post) Director of JFE Holdings, Inc (current post)</p> <p>(Significant concurrent posts) Representative Director, Chairman of the Board, Chairman Executive Officer of Mitsui O.S.K. Lines, Ltd.</p>	1,200
6	Masafumi Maeda (September 22, 1952)	<p>November 1996      Professor of Institute of Industrial Science, The University of Tokyo (current post)</p> <p>April 2005      Director General of Institute of Industrial Science, The University of Tokyo</p> <p>April 2009      Managing Director, Executive Vice President of The University of Tokyo (current post)</p> <p>(Significant concurrent posts) Managing Director, Executive Vice President of The University of Tokyo (current post)</p>	0

- Notes:
1. There is no conflict of interests between each candidate and the Company.
  2. Akimitsu Ashida and Masafumi Maeda are candidates for Outside Directors.
  3. Special matters concerning the candidates for Outside Directors are as follows:
    - (1) Reasons for recommending Akimitsu Ashida and Masafumi Maeda as candidates for Outside Directors
      - 1) Akimitsu Ashida  
Akimitsu Ashida, as a top executive of Mitsui O.S.K. Lines, Ltd., has made outstanding achievements in corporate management from a global perspective. In addition, he is knowledgeable about society and economy through his various activities, including serving as Vice Chairman of the KEIZAI DOYUKAI (Japan Association of Corporate Executives). The Company has judged that Akimitsu Ashida, with his extensive knowledge and outstanding insight based on his expertise, as well as his performance as Outside Director for one year, is eligible for reassuming the position of Outside Director of the Company, a post responsible for reinforcing its corporate governance.
      - 2) Masafumi Maeda  
Masafumi Maeda has remarkable knowledge in metallic materials through his long-term research on recycling of materials and thermodynamics of materials. Moreover, he has been involved in management of the University of Tokyo as Managing Director, through which he gained abundant experience in organization management. The Company has judged that although he does not have past experience in corporate management, Masafumi Maeda, with his extensive knowledge and excellent insight, will be very capable of assuming the position of Outside Director of the Company, a post responsible for reinforcing its corporate governance, and executing his given duties appropriately.
    - (2) Number of years of service as Outside Director  
Akimitsu Ashida, now Outside Director of the Company, will have served as Outside Director for one year at the close of this General Meeting of Shareholders.
    - (3) Liability limitation agreement executed with Outside Directors

(Translation for reference only)

1) Akimitsu Ashida

To ensure that Akimitsu Ashida can fully demonstrate his capabilities as expected in his roles as Outside Director, the Company has executed an agreement with Mr. Ashida in accordance with Paragraph 1 of Article 427 of the Companies Act, which limits Outside Directors' indemnity liability provided for in Paragraph 1 of Article 423 of the said Act to the amount defined under laws and regulations. If Mr. Ashida is reappointed, the Company intends to continue the liability limitation agreement described hereto with him.

2) Masafumi Maeda

To ensure that Masafumi Maeda, if appointed as Outside Director, can fully demonstrate his capabilities as expected in his roles as Outside Director, the Company will enter into an agreement with Mr. Maeda in accordance with Paragraph 1 of Article 427 of the Companies Act, which limits Outside Directors' indemnity liability provided for in Paragraph 1 of Article 423 of the said Act to the amount defined under laws and regulations.

**Proposal 4: Election of a Corporate Auditor**

As the term of office of Toshikuni Nishinohara, Corporate Auditor, expires at the close of this General Meeting of Shareholders, the Company proposes to elect one Corporate Auditor.

The Board of Corporate Auditors has given its consent to this nomination.

The candidate for Corporate Auditor is as follows.

Candidate for Corporate Auditor (1 candidate)

Name (Date of birth)	Brief personal history, positions and significant concurrent posts	Number of the Company's shares held
Seiji Sugiyama (April 17, 1947)	July 1971      Joined The Nippon Kangyo Bank, Ltd. June 1999      Director of The Dai-Ichi Kangyo Bank, Ltd May 2000      Managing Director of Dai-Ichi Kangyo Bank, Ltd April 2002      Managing Executive Officer of Mizuho Corporate Bank, Ltd March 2003      Deputy President, Executive Officer of Mizuho Financial Group, Inc. March 2004      President & CEO of Mizuho Bank, Ltd. April 2009      Chairman of Mizuho Bank, Ltd. June 2010      Retired from Mizuho Bank, Ltd. Senior Advisor of Mizuho Financial Group (current post)  (Significant concurrent posts) Senior Advisor of Mizuho Financial Group	0

Notes: 1. There is no conflict of interests between the candidate and the Company.

2. Seiji Sugiyama is a candidate for Outside Corporate Auditor.

3. Special matters concerning the candidate for Outside Corporate Auditor are as follows:

(1) Reasons for recommending Seiji Sugiyama as a candidate for Outside Corporate Auditor

Seiji Sugiyama has been engaged in management of financial institutions for many years and has various experiences in corporate management as well as extensive knowledge in the fields of finance and accounting, and is highly-knowledgeable. The Company has judged that Mr. Seiji Sugiyama, if appointed as Outside Corporate Auditor, will be very capable of contributing to the audit operations of the Company in an independent manner and with a broad perspective.

(2) Liability limitation agreement executed with Outside Corporate Auditor

To ensure that Seiji Sugiyama, if appointed as Outside Corporate Auditor, can fully demonstrate his capabilities as expected in his roles as Outside Corporate Auditor, the Company will enter into an agreement with Mr. Sugiyama in accordance with Paragraph 1 of Article 427 of the Companies Act, which limits Outside Corporate Auditors' indemnity liability provided for in Paragraph 1 of Article 423 of the said Act to the amount defined under laws and regulations.

(Translation for reference only)

**Proposal 5: Election of a Substitute Corporate Auditor**

To prepare for a contingency in which the Company does not have the number of Corporate Auditors required by laws and regulations, the Company proposes to elect one Substitute Corporate Auditor.

The effectiveness of the election under this Proposal may be cancelled based on resolution of the Board of Directors, provided such cancellation is done prior to the assumption of office and with the consent of the Board of Corporate Auditors.

The Board of Corporate Auditors has given its consent to this nomination. The candidate for Substitute Corporate Auditor is as follows.

Candidate for Substitute Corporate Auditor (1 candidate)

Name (Date of birth)	Brief personal history, positions and significant concurrent posts	Number of the Company's shares held
Isao Saiki (August 11, 1961)	April 1989 Admitted to the bar April 1989 Joined Ginza Law Office (current Abe, Ikubo & Katayama) January 1998 Promoted to partner of the Law Office (current post)  (Significant concurrent posts) Partner of Abe, Ikubo & Katayama	0

Notes: 1. There is no conflict of interests between the candidate and the Company.

2. Isao Saiki is a candidate for Substitute Outside Corporate Auditor.

3. Special matters concerning the candidate for substitute Outside Corporate Auditor are as follows:

(1) Reasons for recommending Isao Saiki as a candidate for Substitute Outside Corporate Auditor

Isao Saiki has vast experience and knowledge in corporate legal affairs and other matters as a lawyer, and actual service as Outside Corporate Auditor of other firms. The Company has judged that Mr. Saiki, if appointed as Outside Corporate Auditor, will be very capable of contributing to the audit operations of the Company in an independent manner and with a broad perspective.

Although he does not have past experience in corporate management other than having served as an outside corporate auditor, the Company has judged that Isao Saiki is capable of appropriately executing his duties as Outside Corporate Auditor, based on the above mentioned matters.

(2) Liability limitation agreement with Outside Corporate Auditor

To ensure that Isao Saiki, if appointed as Outside Corporate Auditor, can fully demonstrate his capabilities as expected in his roles as Outside Corporate Auditor, the Company will enter into an agreement with Mr. Saiki in accordance with Paragraph 1 of Article 427 of the Companies Act, which limits Outside Corporate Auditors' indemnity liability provided for in Paragraph 1 of Article 423 of the said Act to the amount defined under laws and regulations.

**Proposal 6: Continuation of the Policy Toward Large-scale Purchases of JFE Shares**

The Company ("JFE") at the meeting of the Board of Directors held on March 1, 2007, made the decision to adopt the "Policy Toward Large-scale Purchases of JFE Shares" ("Policy"), and given the approval of shareholders at the 5th Ordinary General Meeting of Shareholders on June 27, 2007 and the 7th Ordinary General Meeting of Shareholders on June 25, 2009, continued to operate the Policy. To ensure that the shareholders of JFE can, if a Large scale Purchase of JFE shares is proposed, precisely evaluate the effects of the proposal on the corporate value of JFE and the common interest of shareholders, the Policy has been adopted for the purpose of providing promptly the shareholders with necessary and sufficient information, opinions and suggestions from both the Large-scale Purchaser and JFE's Board of

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Directors, and giving necessary and enough time for the shareholders to review them. The Policy will expire at the conclusion of this Ordinary General Meeting of Shareholders, and the continuation of the Policy shall remain subject to the approval of shareholders. JFE seeks shareholders' agreement of the Policy and approval for the continuation. If this proposal is not approved by the majority of voting rights of all shareholders who are present at this Ordinary General Meeting of Shareholders, the Policy shall expire at the conclusion of its term and the effectiveness of the Policy shall cease.

The Policy provides JFE's policy toward (i) any purchases of JFE shares by a group of shareholders (Note 1) with the intent to hold 20% or more in the voting rights ratio (Note 2), or (ii) any purchases of JFE shares resulting in the voting rights ratio of a group of shareholders being 20% or more (except for cases where the Board of Directors has given consent in advance of the purchases set out in (i) or (ii) above). A purchase of JFE shares set out in (i) or (ii) above will be hereinafter referred to as a "Large-scale Purchase." A person, a company, a corporation or any other entity that intends to conduct a Large-scale Purchase will be hereinafter referred to as a "Large-scale Purchaser." The detail of the Policy is as follows. The Special Committee shall be operated in accordance with the rules of the Special Committee determined by resolution of JFE's Board of Directors. The outline of the rules of the Special Committee is described in Attachment 1 "Outline of the Rules of the Special Committee" hereto. The names and career summaries of the members of the Special Committee as of May 31, 2011 are described in Attachment 2 "Names and Career Summaries of the Members of the Special Committee" hereto.

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#### 1. Basic Philosophy Regarding the Adoption of the Policy

JFE believes that a change of control is an effective means of revitalizing corporate activities and economy, and JFE believes that when a Large-scale Purchase is commenced, the shareholders of JFE should, in principle, make decisions as to whether or not the Large-scale Purchase is acceptable. However, with respect to a Large-scale Purchase or a proposal related to a Large-scale Purchase, JFE recognizes that the shareholders of JFE need to precisely evaluate the effects of the Large-scale Purchase or the proposal on the corporate value of JFE and the common interests of the shareholders, taking into account the Large-scale Purchaser's business descriptions, business plans, and investment track record, etc. For this purpose, JFE believes that both the Large-scale Purchaser and JFE's Board of Directors should promptly provide the shareholders with necessary and sufficient information, opinions and suggestions, and that the shareholders should be given necessary and enough time to review them.

Based on the basic philosophy mentioned above, JFE's Board of Directors has established rules concerning Large-scale Purchases of JFE shares (hereinafter referred to as the "Large-scale Purchase Rules"), as described below. The Board of Directors will require any Large-scale Purchaser to comply with the Large-scale Purchase Rules. If the Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors intends to take certain countermeasures. Moreover, in cases where it is clear that a Large-scale Purchase will cause irreparable damage or loss to JFE, or where a Large-scale Purchase will cause severe damage to the corporate value of JFE and the common interests of the shareholders, then the

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Board of Directors intends to take certain countermeasures even if the Large-scale Purchaser has complied with the Large-scale Purchase Rules.

In order to ensure that the decision by JFE's Board of Directors on the effects of a Large-scale Purchase on the corporate value of JFE and the common interests of the shareholders and the invocation of countermeasures based on the Policy, will be made in a transparent, objective, fair, and reasonable manner, a Special Committee will be established which will be composed mainly of persons such as the outside directors of JFE.

## 2. Establishment of Large-scale Purchase Rules

JFE's Board of Directors believes that a Large-scale Purchase which is conducted in compliance with the Large-scale Purchase Rules benefits both the corporate value of JFE and the common interests of JFE's shareholders. The Large-scale Purchase Rules require that (i) a Large-scale Purchaser provide necessary and sufficient information to the Board of Directors, and (ii) a Large-scale Purchaser be permitted to commence the Large-scale Purchase only after the prescribed period during which the Board of Directors will assess the Large-scale Purchase.

First, a Large-scale Purchaser is required to provide JFE's Board of Directors with necessary and sufficient information (hereinafter referred to as the "Large-scale Purchase Information") so that the shareholders of JFE may make decisions and the Board of Directors may form its opinion. The Large-scale Purchase Information will include the following:

- (1) an outline of the Large-scale Purchaser and its group;
- (2) the purposes and terms of the Large-scale Purchase;
- (3) the basis for determination of the purchase price and the source of the funds for purchase;
- (4) management policies and business plans of JFE Group which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase;
- (5) policies dealing with JFE Group's customers, suppliers, local community, employees, and any other stakeholders of JFE Group which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase; and
- (6) in cases where the Large-scale Purchaser conducts business of the same kind as the business of JFE Group, the Large-scale Purchaser's view on the legality of the Large-scale Purchase in terms of the Antimonopoly Law and overseas competition laws.

Since details of the Large-scale Purchase Information may vary depending on each specific Large-scale Purchase, JFE, first of all, requires the Large-scale Purchaser to submit to JFE a letter of intention to comply with the Large-scale Purchase Rules, specifying the name of the Large-scale Purchaser, address, governing law of incorporation, name of its representative, contact details in Japan, and an outline of the proposed Large-scale Purchase. Within five business days after receipt of such letter, JFE will deliver to the Large-scale Purchaser a list of the Large-scale Purchase Information to be initially provided by the Large-scale Purchaser. If the information initially provided by the Large-scale Purchaser is deemed insufficient as the Large-scale Purchase Information, JFE may require additional information until it receives

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necessary and sufficient information. JFE's Board of Directors will disclose the proposed Large-scale Purchase and all or part of the Large-scale Purchase Information submitted to the Board of Directors at such time as it deems appropriate, if such disclosure is considered necessary for the shareholders to make their decisions. In addition, JFE's Board of Directors will promptly disclose the completion of provision of necessary and sufficient information concerning the Large-scale Purchase from the Large-scale Purchaser if so deemed by the Board of Directors.

After all the Large-scale Purchase Information is provided, JFE's Board of Directors should be allowed a sixty day period (in the case of the purchase of all JFE shares by a tender offer with cash-only (Japanese Yen) consideration) or a ninety day period (in the case of any other Large-scale Purchase), depending on the level of difficulty of the assessment, as the period during which it will assess, examine, negotiate, form an opinion and seek alternatives (hereinafter referred to as the "Assessment Period"). The Large-scale Purchase, therefore, will be commenced only after the Assessment Period has elapsed. The Board of Directors will thoroughly assess and examine the Large-scale Purchase Information with advice from outside professionals during the Assessment Period, and disclose its opinion. Also, as mentioned above, the Board of Directors may negotiate with the Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase or it may offer alternative plans to the shareholders, as necessary.

### 3. Action plans in response to the Large-scale Purchase

#### 3.1 If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, JFE's Board of Directors may take countermeasures against the Large-scale Purchaser to protect the corporate value of JFE and the common interests of the shareholders. Countermeasures include the issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Companies Act or other laws and JFE's Articles of Incorporation. The Board of Directors will make decisions on the invocation of countermeasures by referring to advice from outside professionals, such as lawyers and financial advisers, and respecting the recommendations of the Special Committee to the maximum extent possible. The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to make a gratis allotment of stock acquisition rights, the outline of the issuance thereof will, in principle, be as described in Attachment 3 hereto. If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure.

JFE believes that the establishment of the Large-scale Purchase Rules and countermeasures to be taken in the event of non-compliance with such rules are reasonable and appropriate in order to protect the corporate value of JFE and the common interests of the shareholders. JFE recognizes that the aforementioned countermeasures may cause

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damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules. Thus, JFE is hereby advising, in advance, against commencing a Large-scale Purchase that does not comply with the Large-scale Purchase Rules.

### 3.2 If a Large-scale Purchaser complies with the Large-scale Purchase Rules

The purpose of the Large-scale Purchase Rules is to provide an opportunity for the shareholders of JFE to receive necessary information about the purchase of such number of JFE shares as may influence the management of JFE, as well as the opinions, and alternative plans from the incumbent Board of Directors, in order that they may determine whether or not such proposed purchase is acceptable, from the perspective of protecting the corporate value of JFE and the common interests of the shareholders. If a Large-scale Purchase is conducted in compliance with the Large-scale Purchase Rules, the Board of Directors does not intend, in principle, to prevent the Large-scale Purchase at its own discretion.

However, even though a Large-scale Purchaser complies with the Large-scale Purchase Rules, in the exceptional case where it is clear that a Large-scale Purchase will cause irreparable damage or loss to JFE or where it will cause severe damage to the corporate value of JFE and the common interests of the shareholders and the invocation of countermeasures is reasonable in the judgment of JFE's Board of Directors, the Board of Directors may take countermeasures described in 3.1 above to prevent such Large-scale Purchase. The Board of Directors will refer to advice from outside professionals, such as lawyers and financial advisers, and respect the recommendations of the Special Committee to the maximum extent possible in making decision of the invocation of countermeasures. In such a case, the Board of Directors will make an appropriate disclosure at an appropriate time. In principle, any one of the following will be deemed to constitute a case where it is clear that a Large-scale Purchase will cause irreparable damage or loss to JFE or where it will cause severe damage to the corporate value and the common interests of the shareholders:

- (i) Case where a purchaser implements an acquisition that will cause obvious harm to the corporate value and the common interests of the shareholders by actions including the following:
  - (1) To buy up JFE shares and to force JFE into purchasing such shares at an inflated price;
  - (2) To achieve an advantage for an acquirer to the detriment of JFE through actions such as the temporary assumption of control over JFE's management and the acquisition of JFE's material assets, etc. at a below-market price;
  - (3) To divert JFE's assets to secure or repay debts of an acquirer, its group companies, etc.; or
  - (4) To cause JFE to declare temporary large dividends, or to sell JFE shares at an inflated price as a result of a sudden rise in stock price because of the declaration

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of temporary large dividends, by temporarily controlling JFE's management to bring about a disposal of high-value assets, etc. that have no current relevance to JFE's business.

- (ii) Case where a purchaser implements an acquisition that may have the effect of forcing shareholders into selling shares, such as coercive two-tiered tender offers (i.e., acquisition of shares (including a tender offer) that may result in the second stage acquisition terms which are less favorable than the first-stage acquisition terms or may instead cause the second-stage acquisition terms to be unclear).
- (iii) Case where the interests of customers, suppliers, local community, employees and any other stakeholders of JFE may be damaged and, as a result, the long-term corporate value and the common interests of the shareholders may be severely impaired by the acquisition of the management control of JFE by a Large-scale Purchaser.
- (iv) Case where acquisition terms (including the amount and type of consideration for the acquisition, the timing of the acquisition, the legality of the acquisition method, the probability of the acquisition being accomplished, and post-acquisition policies dealing with JFE's customers, suppliers, employees, and any other stakeholders of JFE) are significantly inadequate or inappropriate in light of JFE's intrinsic value.

### 3.3 Establishment of the Special Committee

The Special Committee will be established as an organization independent from JFE's Board of Directors, in order to ensure that the decisions as to whether or not a Large-scale Purchaser has complied with the Large-scale Purchase Rules and whether or not countermeasures should be taken will be made in a transparent, objective, fair and reasonable manner. The Special Committee will have three members, who will be appointed from among the outside directors of JFE, outside corporate auditors of JFE, experienced corporate managers, persons with knowledge of the investment banking industry, lawyers, certified public accountants, tax advisors, academic experts, or persons of similar qualifications.

JFE's Board of Directors will consult the Special Committee and obtain recommendations from the Special Committee in deciding whether or not it should take countermeasures. The Special Committee will discuss and resolve the matter consulted by obtaining, at the cost of JFE, advice from third parties independent from the management of JFE (including financial advisers, certified public accountants, lawyers, consultants or any other professionals) and requesting JFE's directors, corporate auditors, employees, etc. to be present and to explain necessary information at meetings of the Special Committee. The Special Committee will also submit recommendations to the Board of Directors based on such discussions. The Board of Directors will respect such recommendations to the maximum extent possible in making decision whether or not the Board of Directors will take countermeasures. The Special Committee will disclose as necessary the contents of the recommendations.

(Translation for reference only)

#### 4. Effect on JFE's shareholders and investors

Although JFE does not anticipate that taking countermeasures will cause shareholders, other than the Large-scale Purchaser, economic damage or loss of any rights, in the event that JFE's Board of Directors determines to take a specific countermeasure, the Board of Directors will disclose such countermeasure in a timely and appropriate manner pursuant to relevant laws and financial instruments exchange regulations. Shareholders must take necessary steps to be recorded in JFE's final register of shareholders at the record date of the issuance of stock acquisition rights, which will be determined and publicly announced by the Board of Directors in order to acquire stock acquisition rights upon the invocation of a countermeasure. Further, shareholders may need to apply for acquisition within a certain prescribed period, depending on the issuance methods for stock acquisition rights, in addition to entering a share transfer in the shareholders' register. In addition, in order to exercise stock acquisition rights and acquire stock, shareholders need to pay the exercise price within a certain prescribed period. JFE will announce the details of such procedures in accordance with relevant laws and financial instruments exchange regulations when the Board of Directors actually determines to issue stock acquisition rights.

Even after the record date for the issuance of stock acquisition rights has passed or the allotment of stock acquisition rights has taken effect, JFE may cancel the allotment or acquire those stock acquisition rights without consideration or delivery of JFE shares to the holders of such rights up until the day immediately prior to the date of commencement of the exercise period of such rights due to circumstances such as a Large-scale Purchaser's withdrawal of its Large-scale Purchase of JFE shares. In these cases no dilution of stock value will occur, and investors who have sold or otherwise disposed of JFE shares anticipating that the dilution of stock value will occur may suffer certain losses as a result of stock price fluctuations.

#### 5. Effective term of the Policy

If the continuation of the Policy is approved by the shareholders of JFE at this Ordinary General Meeting of Shareholders, the Policy will remain effective until the conclusion of the Ordinary General Meeting of Shareholders relating to the final fiscal year ending within two years after the date of this Ordinary General Meeting of Shareholders. The same will apply thereafter.

JFE's Board of Directors will make prompt disclosure regarding the continuation of the Policy if so determined by the Board of Directors. The Board of Directors intends to review the Policy from time to time from the viewpoint of protecting the corporate value of JFE and the common interests of the shareholders, taking into account the enactments and amendments of various applicable legislation including the Company Law and the Financial Instruments and Exchange Law.

If JFE's Board of Directors passes a resolution to abolish the Policy, then the Policy will be abolished at that time even during the effective term of the Policy. Further, even during the effective term of the Policy, the Board of Directors may review and amend the Policy in

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accordance with the recommendations of the Special Committee to the maximum extent possible. Since the terms of office of the directors of JFE shall be set for one 1 year, any amendment or abolishment of the Policy will be determined by the Board of Directors composed of directors elected by the General Meeting of Shareholders every year.

- Notes: 1. A group of shareholders means (i) a holder (defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act, including a person, a company, a corporation or any other entity deemed as a holder pursuant to Paragraph 3 thereof) of shares and other securities (defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Law) and any joint holders (defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including a person, a company, a corporation or any other entity deemed as a joint holder pursuant to Paragraph 6 thereof), or (ii) a person, a company, a corporation or any other entity who makes a purchase (defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act, including a purchase made on a financial Instruments exchange market) of shares and other securities (defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act) and any specially related parties (defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act).
2. The voting rights ratio means (i) in the case of item (i) in note 1 above, the shareholding ratio (defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act) of the holder (taking into account the number of shares (defined in the said paragraph) held by any joint holders), or (ii) in the case of item (ii) in note 1 above, the sum of the shareholding ratio (defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act) of the purchaser and its specially related parties. In calculating the voting rights ratio, the annual report, quarter report or the treasury stock purchase report of JFE, whichever has been submitted to the authorities most recently, may be referred to in deciding the total number of voting rights (defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act) or total number of issued shares (defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act).

(Translation for reference only)

## Attachment 1

### Outline of the Rules of the Special Committee

- The Special Committee shall be established by resolution of JFE's Board of Directors.
- The Special Committee will have three members, and JFE's Board of Directors shall elect the members from among the outside directors of JFE, outside corporate auditors of JFE, experienced corporate managers, persons with knowledge of the investment banking industry, lawyers, certified public accountants, tax advisors, academic experts, or persons of similar qualifications who are independent from the management that conducts the execution of the business of JFE. The Special Committee shall conduct its duties with the duty of care of a good manager.
- The term of office of members of the Special Committee shall be determined by resolution of JFE's Board of Directors.
- If JFE's Board of Directors consults the Special Committee, the Special Committee shall, in principle, pass resolutions on the matters listed below, and submit recommendations to JFE's Board of Directors containing the details of and reasons for its recommendation. Each member of the Special Committee must make such decisions with a view to whether or not the corporate value of JFE and the common interests of the shareholders will be enhanced, and they must not serve the purpose of their own interests or those of JFE's directors.
  - (1) Whether it is appropriate for the Large-scale Purchase to be made subject to the Policy;
  - (2) The issuance or non-issuance of stock acquisition rights (including the gratis allotment of stock acquisition rights) based on the Policy;
  - (3) Whether should be taken other countermeasures based on the Policy;
  - (4) Review and abolishment of the Policy, and
  - (5) Any other matters relevant to the Policy in respect to which JFE's Board of Directors has consulted the Special Committee.
- A meeting of the Special Committee may be convened by any member of the Special Committee or the President and Chief Executive Officer.
- As a general rule, matters are resolved by the majority vote with the presence of all members of the Special Committee excluding interested members. In the case that all members of the Special Committee are unable to attend, a quorum shall be the majority of the members and matters may be resolved by the majority vote of the members then present.
- The Special Committee shall attempt to collect necessary and sufficient information, and may obtain, at the cost of JFE, advice from third parties independent from the management of JFE (including financial advisers, certified public accountants, lawyers, consultants or any other professionals) and request JFE's directors, corporate auditors, employees, etc. to be present and to explain necessary information at meetings of the Special Committee.
- The Special committee will disclose as necessary the contents of the recommendations to JFE's Board of Directors.

(Translation for reference only)

## Attachment 2

### Names and Career Summaries of Members of Special Committee

The members of the Special Committee as of May 31, 2011 are as follows.

#### **Akimitsu Ashida**

**Representative Director, Chairman of the Board, Chairman Executive Officer of Mitsui O.S.K. Lines**

[Career Summary]

April 10, 1943 Born

April 1967	Joined Former Mitsui O.S.K. Lines, Ltd. (currently Mitsui O.S.K. Lines, Ltd.)
June 2003	Representative Director, Executive Vice President of Mitsui O.S.K. Lines
June 2004	Representative Director, President Executive Officer of Mitsui O.S.K. Lines (current post)
June 2010	Representative Director, Chairman of the Board of Mitsui O.S.K. Lines (current post) Outside Director, JFE Holdings, Inc. (current post)

#### **Shigeo Asai**

**Director, JST Innovation Plaza Tokai, Japan Science and Technology Agency**

[Career Summary]

September 13, 1943 Born

April 1988	Professor, Faculty of Engineering, Nagoya University
April 1997	Professor, Graduate School of Engineering Research, Nagoya University
April 1998	Council, Nagoya University
April 2007	Professor Emeritus, Nagoya University (current post) Director, JST Innovation Plaza Tokai, Japan Science and Technology Agency (current post)
June 2007	Outside Director, JFE Holdings, Inc. (current post)

[Principal Concurrent Post]

Coordination Member, Science Council of Japan

Director, PSAMH

#### **Hiroyuki Itami**

**Head of Graduate School of Innovation Studies of Tokyo University of Science**

[Career Summary]

March 16, 1945 Born

April 1985	Professor, Hitotsubashi University, Faculty of Commerce and Management
April 1994	Dean of Faculty of Commerce and Management of the University
April 2008	Professor, Specialist Graduate School of Management of Science and Technology of Tokyo University of Science (As of April 1, 2011, Graduate School of Innovation Studies of Tokyo University of Science) (current post)
October 2008	Head of Specialist Graduate School of Management of Science and Technology of the University (current post)
June 2010	Outside Corporate Auditor, JFE Holdings, Inc. (current post)

[Principal Concurrent Post]

Member of National University Corporation Evaluation Committee, Ministry of Education,  
Culture, Sports, Science and Technology

Advisory Committee Member, Japan Tobacco Inc.

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[Reference]

Shigeo Asai will resign as Special Committee on June 22, 2011 and therefore Masafumi Maeda will supersede him.

**Masafumi Maeda**

**Managing Director, Executive Vice President of The University of Tokyo**

[Career Summary]

September 22, 1952 Born

November 1996 Professor, Institute of Industrial Science, the University of Tokyo (current post)

April 2005 Director General, Institute of Industrial Science, the University of Tokyo

April 2009 Managing Director, Executive Vice President of The University of Tokyo (current post)

[Principal Concurrent Post]

Member of Science Council of Japan

Expert member of Council for Science and Technology Policy, Cabinet Office, Government of Japan

Member of selection committee, The Japan Prize Foundation

(Translation for reference only)

### **Attachment 3**

#### JFE Terms and Conditions of the Stock Acquisition Rights

##### **I. Determination of Gratis Allotment of Stock Acquisition Rights**

###### 1. Terms and number of the Stock Acquisition Rights

The terms of the stock acquisition rights to be allotted to the shareholders (hereinafter, individually or collectively, referred to as the “Stock Acquisition Rights”) include the terms set forth in section II below. The number of the Stock Acquisition Rights will be separately determined by JFE’s Board of Directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (hereinafter referred to as the “Gratis Allotment Resolution”). The upper limit of the number of the Stock Acquisition Rights shall be determined by subtracting the total number of the issued and outstanding common shares (excluding the number of common shares held by JFE at that time) from the total number of shares which JFE is authorized to issue on a date to be determined by the Board of Directors as the record date in the Gratis Allotment Resolution. The Board of Directors may make allotments of the Stock Acquisition Rights on different occasions to the extent the total number of the allotted Stock Acquisition Rights is within the upper limit.

###### 2. Shareholders eligible for the allotment

JFE’s Board of Directors will make allotments of Stock Acquisition Rights to those shareholders, other than JFE itself, who appear or are recorded in JFE’s final register of shareholders or register of beneficial shareholders on the date separately determined by the Board of Directors in the Gratis Allotment Resolution, at the ratio of one Stock Acquisition Right for every share.

###### 3. Effective date of the gratis allotment of Stock Acquisition Rights

JFE’s Board of Directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

##### **II. Terms of the Stock Acquisition Rights**

###### 1. Type and number of shares to be acquired upon exercise of the Stock Acquisition Rights

The type of shares to be acquired upon the exercise of the Stock Acquisition Rights shall be common shares of JFE, and the upper limit of the total number of shares to be acquired upon the exercise of the Stock Acquisition Rights shall be determined by subtracting the total number of the issued and outstanding common shares (excluding the number of common shares held by JFE at that time) from the total number of shares which JFE is authorized to issue on a date to be determined by JFE’s Board of Directors as the record date in the Gratis Allotment Resolution. The number of shares to be acquired upon exercise of one Stock Acquisition Right (hereinafter referred to as the “Applicable Number of Shares”) shall be separately determined by the Board of Directors in the Gratis Allotment Resolution. Provided, however, that if JFE makes a stock split or a stock consolidation after the allotment date of the Stock Acquisition Rights, the Applicable Number of Shares shall be adjusted according to the following formula. If any fraction less than one share arises as a result of such adjustment, such fraction shall be

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discarded.

$$\begin{array}{l} \text{Applicable Number of} \\ \text{Shares after adjustment} \end{array} = \begin{array}{l} \text{Applicable Number of Shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of split or} \\ \text{consolidation} \end{array}$$

## 2. Amount of assets to be contributed upon the exercise of the Stock Acquisition Rights

(1) Contributions upon the exercise of the Stock Acquisition Rights shall be made in cash, and the amount of such contribution shall be an amount equal to the Exercise Price (as defined in (2) below) multiplied by the Applicable Number of Shares.

(2) The amount of assets to be contributed per share of JFE upon the exercise of the Stock Acquisition Rights (hereinafter referred to as the “Exercise Price”) shall be an amount separately determined by JFE’s Board of Directors in the Gratis Allotment Resolution, which shall be equal to or greater than one yen.

## 3. Exercise Period of the Stock Acquisition Rights

The commencement date of the exercise period shall be a date separately determined by JFE’s Board of Directors in the Gratis Allotment Resolution (such commencement date of the exercise period shall be hereinafter referred to as the “Exercise Period Commencement Date”), and the exercise period will be a period separately determined by the Board of Directors in the Gratis Allotment Resolution, which shall be not shorter than one month and not longer than three months; provided, however, that if the final day of the exercise period falls on a non-business day in the payment place for the cash payable upon exercise, the preceding business day shall be the final day.

## 4. Conditions for the exercise of the Stock Acquisition Rights

(1) The following parties (hereinafter referred to as the “Non-Qualified Party”) shall not exercise the Stock Acquisition Rights:

- (i) A party which makes a purchase of JFE shares with the intent to hold 20% or more in the voting rights ratio together with other members of the group of shareholders to which it belongs (excluding any party to which JFE’s Board of Directors has given its consent in advance of the purchase);
- (ii) A party which makes a purchase of JFE shares, resulting in the voting rights ratio of the group of shareholders to which it belongs, being 20% or more (excluding any party to which JFE’s Board of Directors has given its consent in advance of the purchase) (the parties set out in (i) and (ii) above shall collectively be hereinafter referred to as a “Large-scale Purchaser”) and;
- (iii) Any Affiliated Party of any party falling under (i) or (ii) above.

The terms used above shall have the following meanings:

- (a) A group of shareholders means (i) a holder (defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act, including a person, a company, a corporation or any other entity deemed as a holder pursuant to Paragraph 3 thereof) of shares and other securities (defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act) and any joint holders (defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange

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Act, including a person, a company, a corporation or any other entity deemed as a joint holder pursuant to Paragraph 6 thereof), or (ii) a person, a company, a corporation or any other entity who makes a purchase (defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act, including a purchase made on a securities exchange market) of shares and other securities (defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act) and any specially related parties (defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act).

(b) The voting rights ratio means (i) in the case of item (i) in (a) above, the shareholding ratio (defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act) of the holder (taking into account the number of shares (defined in the said paragraph) held by any joint holders), or (ii) in the case of item (ii) in (a) above, the sum of the shareholding ratio (defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act) of the purchaser and its specially related parties. In calculating the voting rights ratio, the annual report, semi-annual report or the treasury stock purchase report of JFE, whichever has been submitted to the authorities most recently, may be referred to in deciding the total number of voting rights (defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act) or total number of issued shares (defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act).

(c) An Affiliated Party of a given party means a party who is deemed by JFE's Board of Directors to substantially control, be controlled by, or be under common control with such given party, or a party who is deemed by JFE's Board of Directors to be acting in concert with such given party.

(2) Notwithstanding (1) above, the parties set out in (a) through (d) below shall not be Large-scale Purchasers:

(a) JFE, its subsidiaries (as defined in Paragraph 3, Article 8 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Paragraph 5, Article 8 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);

(b) a party that JFE's Board of Directors recognizes as a party which fell under the requirements as set forth in (1) above with no intention to control JFE and that JFE's Board of Directors further recognizes as a party which has ceased to fall under the requirements as set forth in (1) above by a disposal of the shares and other securities of JFE held or some other method within ten days after falling under the requirements as set forth in (1) above (provided, however, that the ten day period may be extended by JFE's Board of Directors);

(c) a party that JFE's Board of Directors recognizes as a party which involuntarily fell under the requirements as set forth in (1)(a)(i) above by JFE acquiring treasury stock or for any other reason (excluding cases where the party thereafter newly acquires shares and other securities. at its own discretion); or

(d) a party that JFE's Board of Directors recognizes as a party whose acquisition or holding of shares and other securities is not contrary to the corporate value of JFE and the common

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interests of the shareholders (including a party previously determined by JFE's Board of Directors to be a Non-Qualified Party, but whose acquisition or holding of shares and other securities is later determined by JFE's Board of Directors not to be contrary to the corporate value and the common interests of the shareholders. If JFE's Board of Directors determines that an acquisition or holding is not contrary to the corporate value and the common interests of the shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)

(3) Under the applicable foreign laws and ordinances, if a party located in a jurisdiction governed by such laws and ordinances, is required, for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (hereinafter collectively referred to as the "Governing Law Exercise Procedures and Conditions"), such party may exercise the Stock Acquisition Rights only if JFE's Board of Directors recognizes that it has fully performed or satisfied the Governing Law Exercise Procedures and Conditions; and such party may not exercise the Stock Acquisition Rights if JFE's Board of Directors does not recognize that it has satisfied the Governing Law Exercise Procedures and Conditions. Provided, however, that JFE's Board of Directors shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are to be performed or satisfied by JFE in order for the party under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a party located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances, parties who are located in such jurisdiction shall not exercise the Stock Acquisition Rights.

(4) Notwithstanding (3) above, a party located in the United States may exercise the Stock Acquisition Rights, only if (i) such party represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such party covenants to resell the shares of JFE to be acquired upon exercise of the Stock Acquisition Rights held by such party only through a regular transaction at the Tokyo Stock Exchange, the Osaka Stock Exchange, or the Nagoya Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, JFE shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and applicable U.S. state laws that are required to be performed or satisfied by JFE for the exercise of the Stock Acquisition Rights by a party located in the United States. A party located in the United States shall not exercise the Stock Acquisition Rights if JFE's Board of Directors determines that such party is not permitted to legally exercise the Stock Acquisition Rights under the U.S. securities laws due to a change in the law of the United States or some other reason, even though such party satisfies the conditions as described in (i) and (ii) above.

(5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to JFE a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Non-Qualified Party, nor a party that has any intention to exercise the Stock Acquisition Rights on behalf of a

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Non-Qualified Party and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by JFE and any written statement required under laws and ordinances.

(6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section 4, JFE shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.

#### 5. Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Rights

The capital to be increased upon issuance of shares by exercise of the Stock Acquisition Rights shall be equal to the maximum increase amount of capital and capital reserve to be calculated in accordance with Article 17 of the Company Calculation Regulations, and the capital reserve shall not be increased.

#### 6. Restrictions on transfers of the Stock Acquisition Rights

(1) Any acquisition of the Stock Acquisition Rights by assignment requires the approval of JFE's Board of Directors.

(2) If a party who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(3) and 4(4) above (excluding a Non-Qualified Party), then JFE's Board of Directors shall determine if it gives such approval as described in the above paragraph, after consideration of the following matters:

(a) whether or not a written undertaking prepared and signed or sealed by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below, provisions for indemnification and other provisions for covenants determined by JFE) is submitted with respect to the acquisition through assignment of all or part of the Stock Acquisition Rights by a party who is located in such jurisdiction;

(b) whether or not it is clear that the transferor and transferee are not Non-Qualified Parties;

(c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights on behalf of a party located in such jurisdiction;

(d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights on behalf of a Non-Qualified Party.

#### 7. Acquisition of the Stock Acquisition Rights by JFE

(1) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if JFE's Board of Directors recognizes that it is appropriate for JFE to acquire the Stock Acquisition Rights, JFE may, on a day separately specified by JFE's Board of Directors, acquire all of Stock Acquisition Rights for no consideration.

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(2) On a day separately specified by JFE's Board of Directors, JFE may acquire all (but not part) of the Stock Acquisition Rights that have not been exercised on or before the date immediately prior to such date specified by JFE's Board of Directors, which are held by parties other than Non-Qualified Parties and those who did not submit (excluding cases where JFE does not require the submission) to JFE a specified written statement (in which the parties undertake representations and warranties, including, but not limited to, the fact that the parties are not Non-Qualified Parties, nor do the parties have any intention to hold the shares of JFE to be delivered on behalf of a Non-Qualified Parties, provisions for indemnification and other matters prescribed by JFE), and, in exchange, deliver JFE shares in the number of the Applicable Number of Shares for every Stock Acquisition Right. Further, if, on or after the date upon which the acquisition takes place, JFE's Board of Directors recognizes the existence of a party other than Non-Qualified Parties who holds the Stock Acquisition Rights (upon such recognition, JFE may require such party to submit a specified written statement set forth in the first sentence above), JFE may, on a day determined by JFE's Board of Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to a date determined by JFE's Board of Directors and, in exchange, deliver JFE shares in the number of the Applicable Number of Shares for every Stock Acquisition Right. The same will apply thereafter.

8. Delivery of the Stock Acquisition Rights in the case of merger (limited to a merger where JFE ceases to exist due to such merger), absorption-type company split, incorporation-type company split, share exchange or share transfer

JFE's Board of Directors will separately determine the delivery of the Stock Acquisition Rights and the conditions thereof in the Gratis Allotment Resolution.

9. Issuance of certificates representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

10. Reception counters for the exercise of the Stock Acquisition Rights

JFE's Board of Directors will separately determine the reception counters for the exercise of the Stock Acquisition Rights in the Gratis Allotment Resolution.

11. Payment handling financial institutions for the exercise of the Stock Acquisition Rights

JFE's Board of Directors will separately determine the payment handling financial institutions for the exercise of the Stock Acquisition Rights.

12. Notice to the holders of the Stock Acquisition Rights

(1) Notices to the holder of the Stock Acquisition Rights shall be sufficiently given if sent by mail addressed to such holder at the address of such holder as it appears upon the registry books of stock acquisition rights of JFE, and such notices shall be deemed to be given after the passing of the period usually required for their delivery.

(2) If the holder of the Stock Acquisition Rights does not raise any objection to JFE in writing within fourteen days from the date on which the notice is deemed to be served on the holder,

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JFE may deem the holder of the Stock Acquisition Rights to have consented.

13. Revision due to amendment to laws and ordinances

The provisions of the laws and ordinances referred to above are based on the provisions that are effective as of May 31, 2011. If the meanings of the provisions or terms set forth in each item above require revision due to the enactment, amendment or abolishment of laws and ordinances after May 31, 2011, JFE's Board of Directors may alter the meanings of the provisions or terms set forth in each item above to the reasonable extent as required, taking into consideration the purposes of such enactment, amendment or abolishment.

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## **Guide to Exercising Your Voting Rights via Electronic Media (including the Internet)**

### **<Guide to Exercising Your Voting Rights via the Internet>**

#### **1. Notes for the Exercise of Voting Rights via the Internet**

- (1) The exercise of voting rights is available only by accessing the voting service website designated by us, mentioned below. However, please note that the voting service website is not available from a mobile which the internet can be connected.
- (2) To exercise your voting rights through the Internet, please use the code and password, which are printed to the Voting Rights Exercise Form enclosed herewith. Please pay special attention to the code and password because the voting service website authenticates you based on the code and password. Encryption technology (SSL128bit) is provided to prevent falsification and eavesdropping of data regarding the exercise of voting rights.
- (3) The exercise of voting rights will be acceptable until 24:00, on Tuesday, June 21, 2011. However, we recommend the early exercise of your voting rights well ahead of the deadline.
- (4) If you have exercised your voting rights both by mailing the Voting Rights Exercise Form and via the Internet, only the exercise of voting rights via the Internet shall be deemed effective.
- (5) If you have exercised your voting rights more than once via the Internet, only the final exercise of your voting rights shall be deemed as effective.

#### **2. Procedure of Exercising Voting Rights via the Internet**

- (1) Access to the voting service website: < <http://it-soukai.com/>> or < <https://daiko.mizuho-tb.co.jp/>>. However, the voting rights exercise service is suspended 3:00 – 5:00, everyday)
- (2) Enter the code and password, which are printed on the Voting Rights Exercise Form enclosed herewith and click “Log-in.”
- (3) Exercise voting rights according to the guidance on the screen.

#### **3. Contact with regard to the Site for Exercising Voting Rights**

- (1) For exclusive inquiries about how to operate a computer, etc.  
Mizuho Trust & Banking Co., Ltd., Transfer Agent Department (Internet Help Desk)  
Toll Free Number: 0120-768-524  
Hours: 9:00 to 21:00, weekdays
- (2) For inquiries other than those above (1).  
Mizuho Trust & Banking Co., Ltd., Transfer Agent Department  
Toll Free Number: 0120-288-324  
Hours: 9:00 to 17:00, weekdays

### **<Guide to a Platform for the Exercise of Voting Rights for Institutional Investors>**

A platform operated by ICJ Inc., of electronic exercise of voting rights will be available to institutional investors for the Shareholder's Meeting.

*(English Translation of the Japanese original)*

*This translation has been prepared for reference only. The Japanese language version will control if any discrepancy arises.*