



***Morgan Stanley MUFG for the Teleconference,
26th October 2010***

JFE Group

Capturing Growth Opportunities in Greater East Asian Market

JFE Holdings, Inc.
October 2010

1. Financial Results for the Second Quarter ending March 31, 2011.....	3
2. Financial Forecast for the FY10	8
3. Interim Dividends.....	14
4. Topics	15
5. Others.....	38

This presentation material is for information and discussion purposes only.

Any statements in the presentation which are not historical facts are future projections based on certain assumptions and currently available information. Please note that actual performance may vary significantly due to various factors.

1. Financial Results for the Second Quarter ending September 30, 2011

(billion yen)

	FY 2009 Apr-Spt	FY 2010 Apr-Spt	Change
Net Sales	1,307	1,572	266
Operating Income	-41	115	156
Other loss	-16	-10	7
Ordinary Income	-57	105	162
Extraordinary loss	0	-20	-20
Income before income taxes and minority interests(loss)	-57	85	143
Tax expense and Minority Interest	29	-39	-68
Net Income(loss)	-29	46	75

Financial Results for the Second Quarter ending September 31, 2010
Sales/Recurring Profit by Business Segment

(billion yen)

		FY2009 Apr-Spt	FY2010 Apr-Spt	Change
	Steel	1,062	1,370	308
	Engineering	117	105	-12
	Shipbuilding	139	107	-32
	Urban Development	11	9	-2
	LSI	12	12	0
	Eliminations and Corporate	-34	-30	5
Net Sales		1,307	1,572	266
	Steel	-72	88	161
	Engineering	3	3	1
	Shipbuilding	10	13	2
	Urban Development	-1	-1	1
	LSI	-1	1	1
	Eliminations and Corporate	4	1	-3
Ordinary Income		-57	105	162

4Bn Yen Decrease in JFE steel's Ordinary Income (FY10-1Q v.s. FY10-2Q)

Billion yens

	CY2009 Apr-Jun	Jul-Spt	Oct-Dec	CY2010 Jan-Mac	Apr-Jun	Jul-Spt	Changes previous Q
Sales	476	586	589	631	657	712	55
Operating Profit	▲70	12	45	60	47	51	4
Ordinary Profit	▲77	4	42	62	46	42	▲4

- Sales-related 59 Sales price increase
 - Raw materials -70 Including negative impact of -30Bn yen carry-over*
 - Inventory Valuation 16 **
 - Others - 9 Dividends etc
-
- TOTAL - 4**

*Carry-over, 1Q 50Bn and 2Q 20Bn

** Inventory Valuations 1Q -5bn and 2Q 11Bn

24 Bn Yen Increase in JFE steel's Ordinary Income (FY10 1H(Apr-Spt) v.s. 2H(Oct-Mar))

	Apr-Spt	Oct-Mar	Billion yen Chnages
Ordinary Income	88	112	24

■ Sales-related	70 Sales price increase
■ Raw Material	-60 Including negative impact of -90Bn yen carry-over*
■ Cost Reductions	20
■ Inventory Valuation	4 **
■ Others	- 10 Depreciation etc
Total	24

*Carry-over, 1H 70Bn and 2H -20Bn

** Inventory Valuations 1H 6Bn and 2H 10Bn

2. Financial Forecast for FY10

Financial Forecast for FY10

Financial Results

(billion yen)

	FY2010 (Previous)		FY2010 (Current)		Change	
	Apr-Spt	Apr-Mar	Apr-Spt	Apr-Mar	Apr-Spt	Apr-Mar
Net Sales	1,620	3,420	1,572	3,360	-48	-60
Operating Income	105	230	115	230	10	0
Other loss	-5	-10	-10	-10	-5	0
Ordinary Income	100	220	105	220	5	0
Extraordinary loss	-5	-5	-20	-20	* -15	-15
Income before income taxes and minority interests(loss)	95	215	85	200	-10	-15
Tax expense and Minority Interest	-45	-95	-39	-90	6	5
Net Income(loss)	50	120	46	110	-4	-10

* Devaluation of stocks -7Bn、Allowance for compensation -8Bn



Financial Forecast for FY10

JFE

Sales/Recurring Profit by Business Segment

(billion yen)

		FY2010(Previous)		FY2010(Current)		Change	
		Apr-Spt	Apr-Mar	Apr-Spt	Apr-Mar	Apr-Spt	Apr-Mar
	Steel	1,410	2,960	1,370	2,900	-41	-60
	Engineering	110	270	105	270	-5	0
	Shipbuilding	110	210	107	210	-3	0
	Urban Development	7	14	9	14	2	0
	LSI	13	26	12	24	-1	-2
	Eliminations and Corporate	-30	-60	-30	-58	1	2
Net Sales		1,620	3,420	1,572	3,360	-48	-60
	Steel	90	200	88	200	-2	0
	Engineering	0	7	3	8	3	1
	Shipbuilding	8	11	13	13	4	2.5
	Urban Development	-1	-2	-1	-2	1	0
	LSI	1	2	1	1	0	-0.5
	Eliminations and Corporate	2	3	1	-1	-2	-3
Ordinary Income		100	220	105	220	5	0

Financial Forecast for FY10

(billion yen)

		FY09(A)	FY10(e)	Change
		Full Year	Full Year	(Y/Y)
	Steel	2,281	2,900	619
	Net Sales	2,844	3,360	516
	Operating Income	89	230	141
	Steel	32	200	168
	Ordinary Income	69	220	151
	Net Income	46	110	64

Reference: 168 Billion Yen Increase in JFE Steel's Ordinary Income (FY 09(A) vs. FY 10(e))

(billion yen)

JFE Steel			Change FY09⇒FY10
	FY09	FY10	
Ordinary Income	32	200	168

Sales-related	330	Sales price increase, Volume increase
Raw materials	-310	*Including positive impact of 150Bn yen carry-over*
Cost reduction	50	
Inventory valuation	70	**
Others	28	Group companies etc
TOTAL	168	

*Carry-over: FY09 –100Bn yen and FY10 50Bn yen

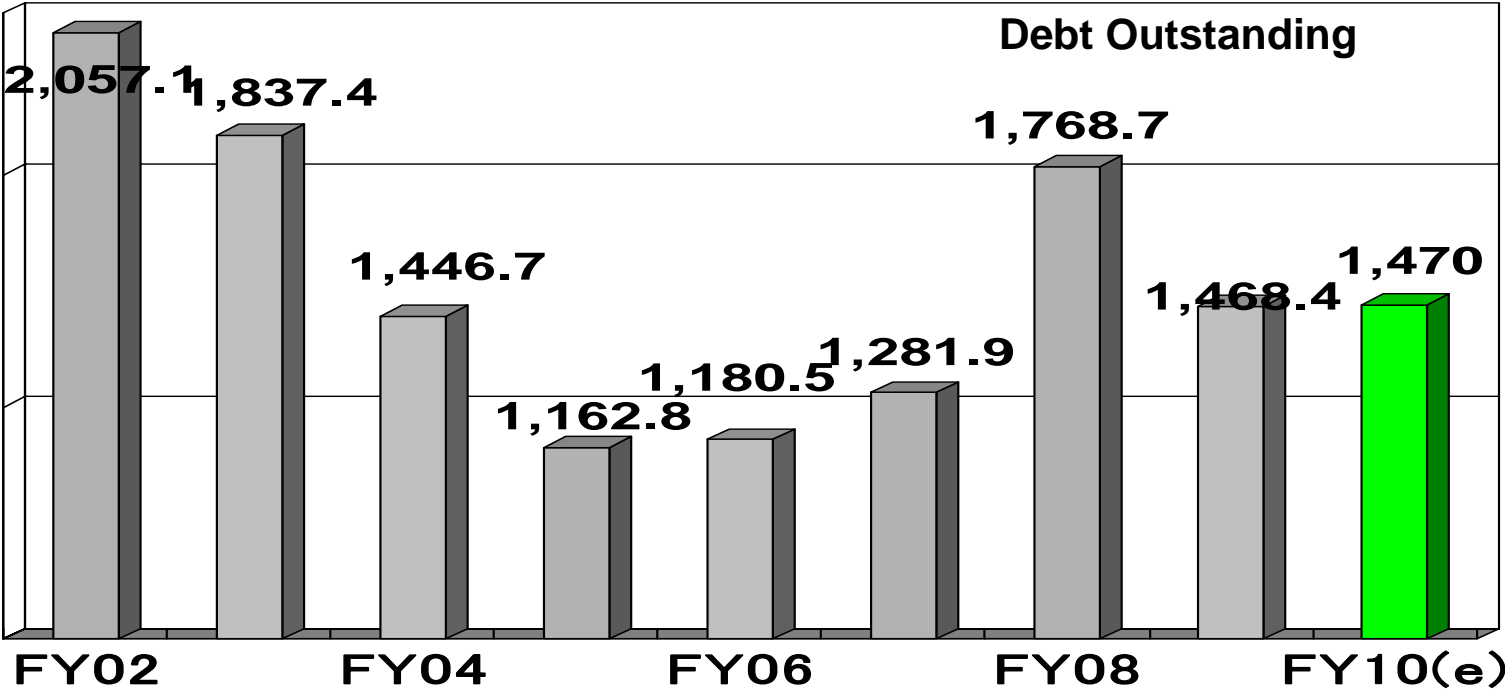
** Inventory Valuations FY09 –54Bn and FY10 16Bn



JFE

C/F & Debt Outstanding for the FY10

		(billion yen)	
Cash Flow	Ordinary Income	220	Keep the same level with the previous year
	Depreciation	250	
	Capex	- 220	
	Investments(JSW)	- 100	
	NWC/Tax/Dividend etc.	- 152	

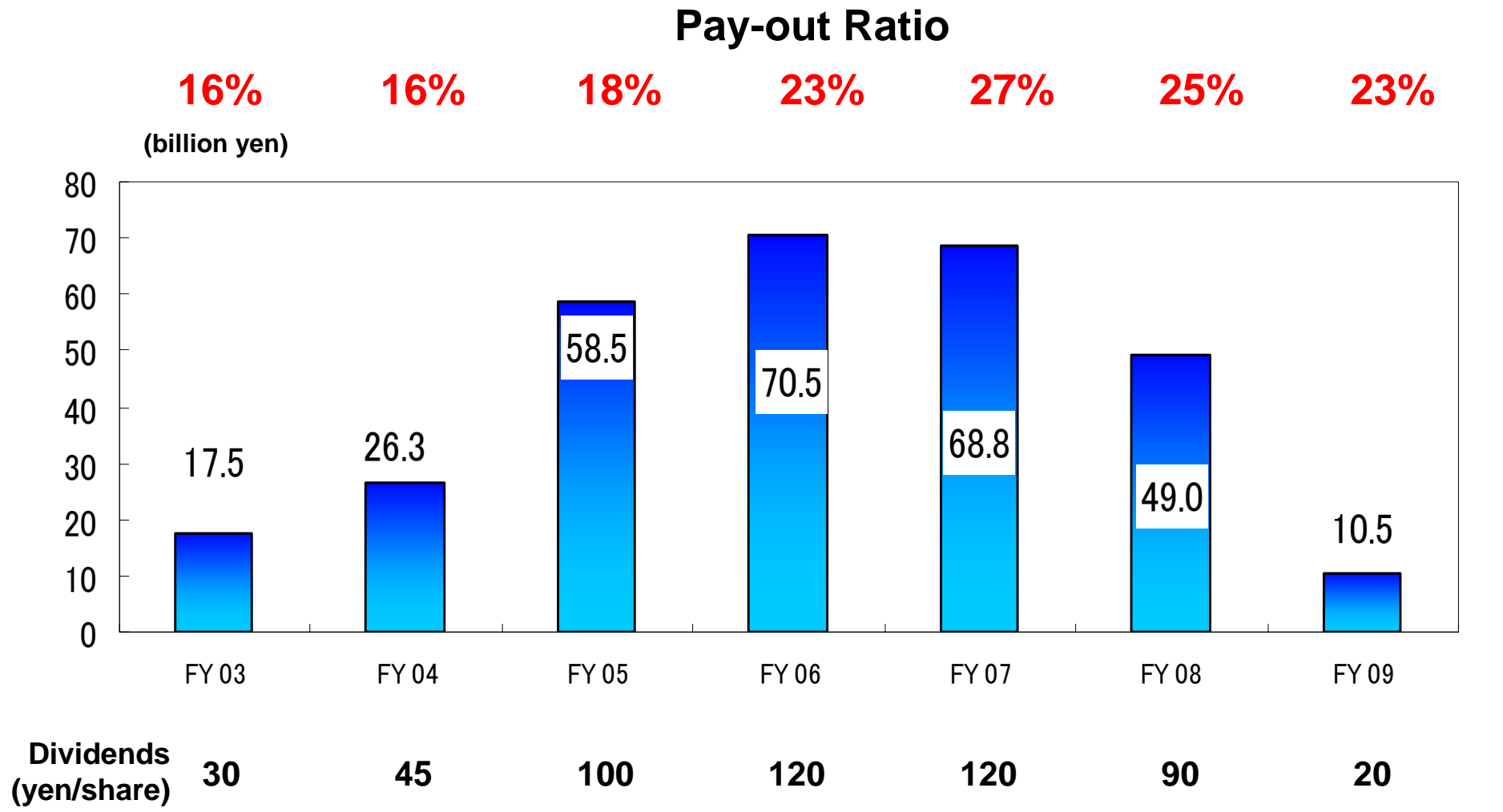




JFE

Proactive Return to Shareholders

Basic Policy for pay-out ratio is around 25%.



3.Topics

(1) More Self Sufficiency for Raw Materials



JFE Group to acquire Australian Coal Mine interests (announced on October 20, 2010)

Overview of the Mines to be acquired by JFE Trading

	Baralaba Mine	Wonbindi Project
Location	Queensland, Australia	
Share of JFE	37.5%	20%
Mining Method	Open Cut	
Coal Types	Low Volatile PCI, Thermal Coal	
Production Volume	750kt/annum (Current capacity)	2.0-3.5Mt/annum (Planned to commence production from 2014)
Port of Export	Port of Gladstone	Wiggins Island (due to commence operation from 2014)

The acquisitions contribute an increase of self-sufficiency ratio.

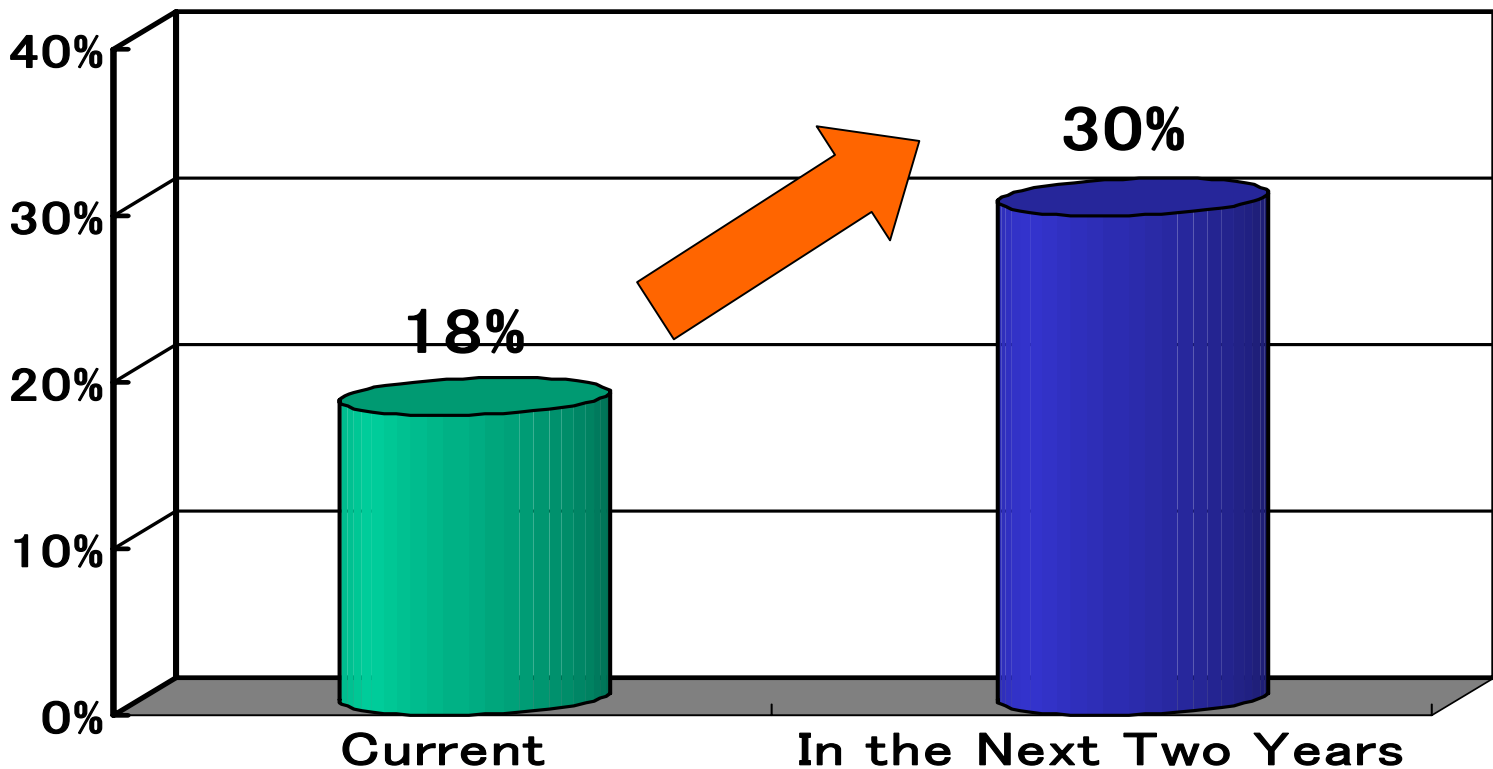
15% → 18% (Our goal :30% in some two years)



Increasing Self-Sufficiency Ratio

JFE

- A steady, secure supply of raw materials is a source of competitive strength.
- Consequently, JFE Steel acquires resource rights where there is a clear economic rationale for doing so.
- Aim at increasing the self-sufficiency ratio from 18% to 30% in some two years.



(2) Target Market

Greater East Asia as our “Home Market”

JFE Steel to Construct CGL for Autos in Thailand

Announced on Oct.22, 2010

- JFE determined to construct **Thailand's first CGL** for Automobiles,
 - Capturing the **growing demand of high-end automotive steel sheets** .
 - Customizing the automakers' **strategies of local procurement**.

- Overview of the company

- Total investment: About USD 300million
- Ownership: JFE Steel Corporation 100%
- Product: Product: Hot-dip galvanized steel sheet
- Production capacity: 400,000 tons/year
- Sizes: Sheet thickness: 0.4mm – 2.3mm
Sheet width: 800mm – 1,880mm
- Operation startup (planned): April 2013

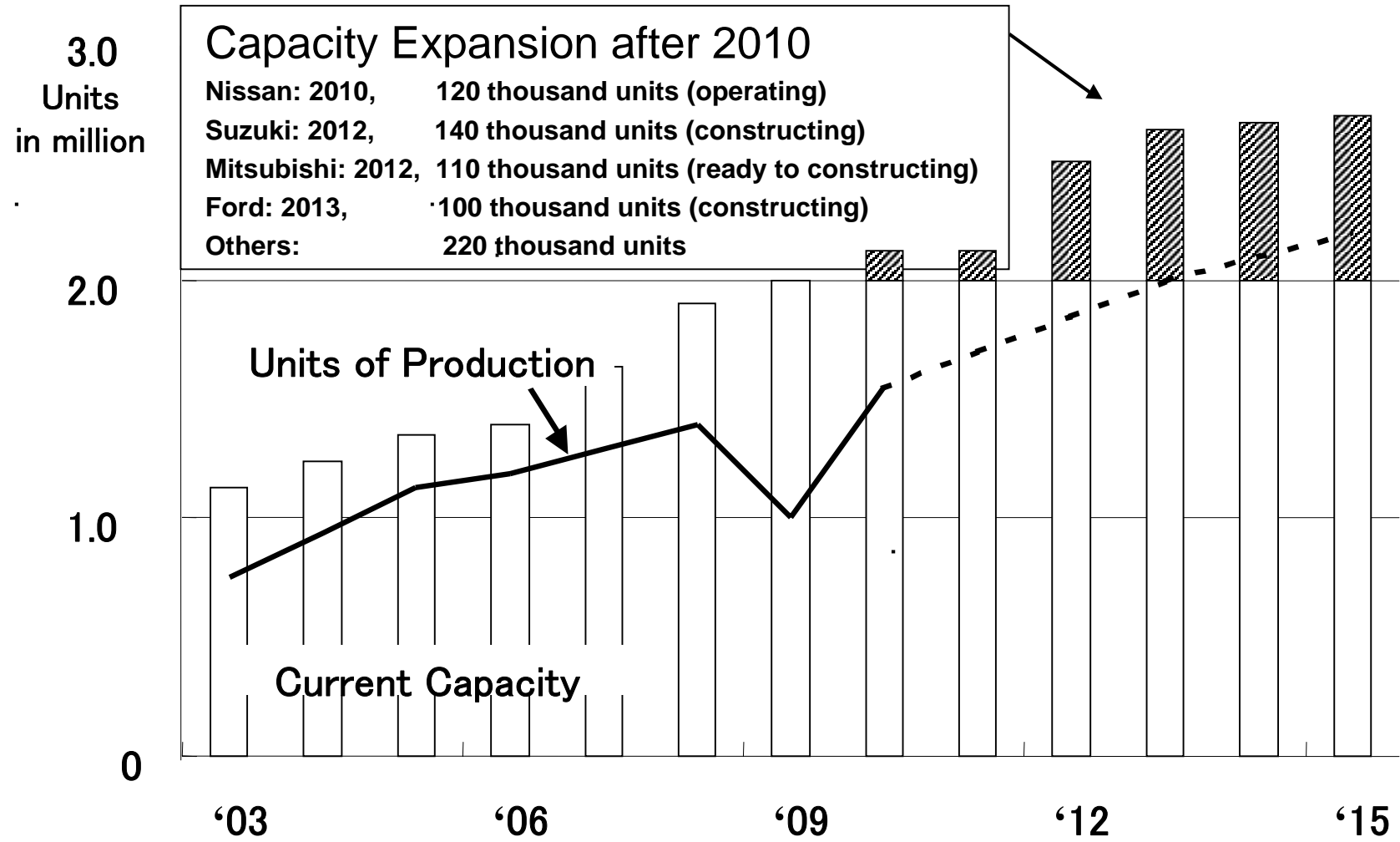




JEE

Growing Automobile Market in Thailand

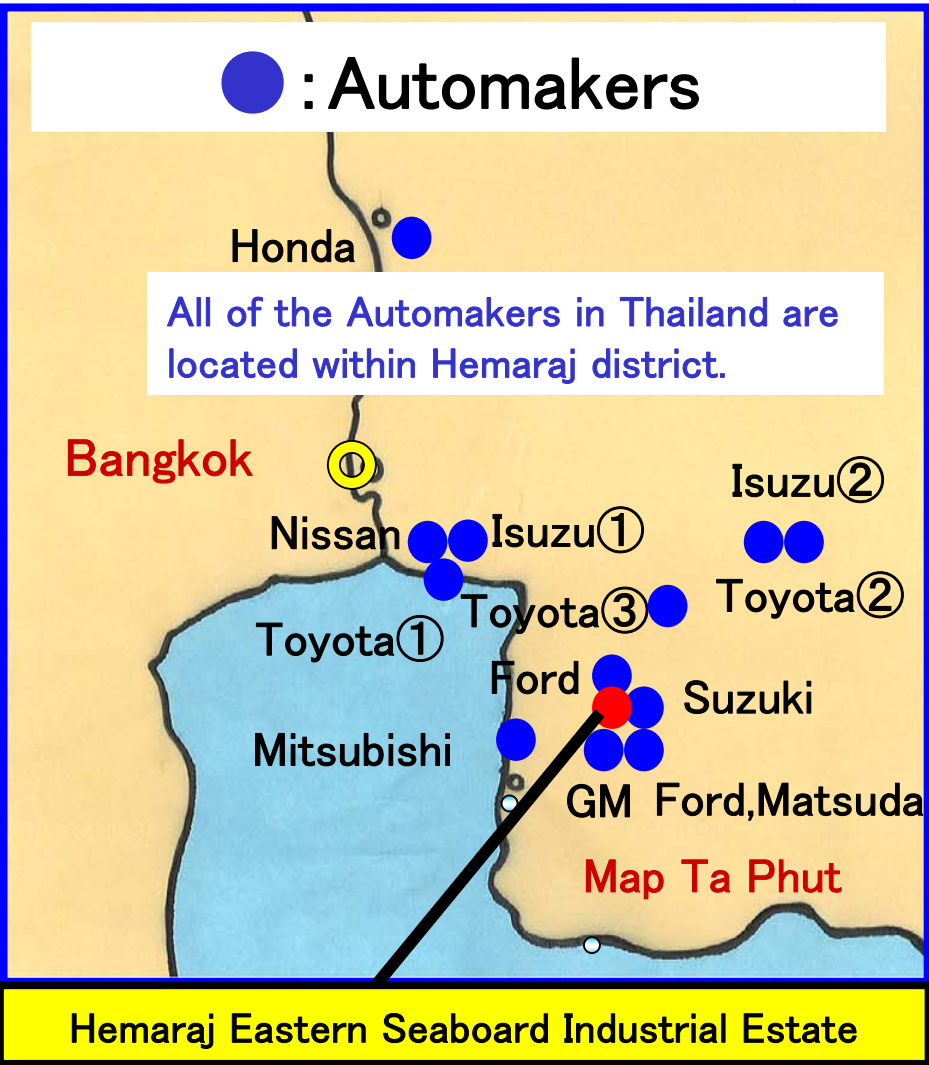
Thailand Auto makers plan further expansion of their capacity.
2 million units in 2009 → 2.7 million units in 2015





JFE

Location



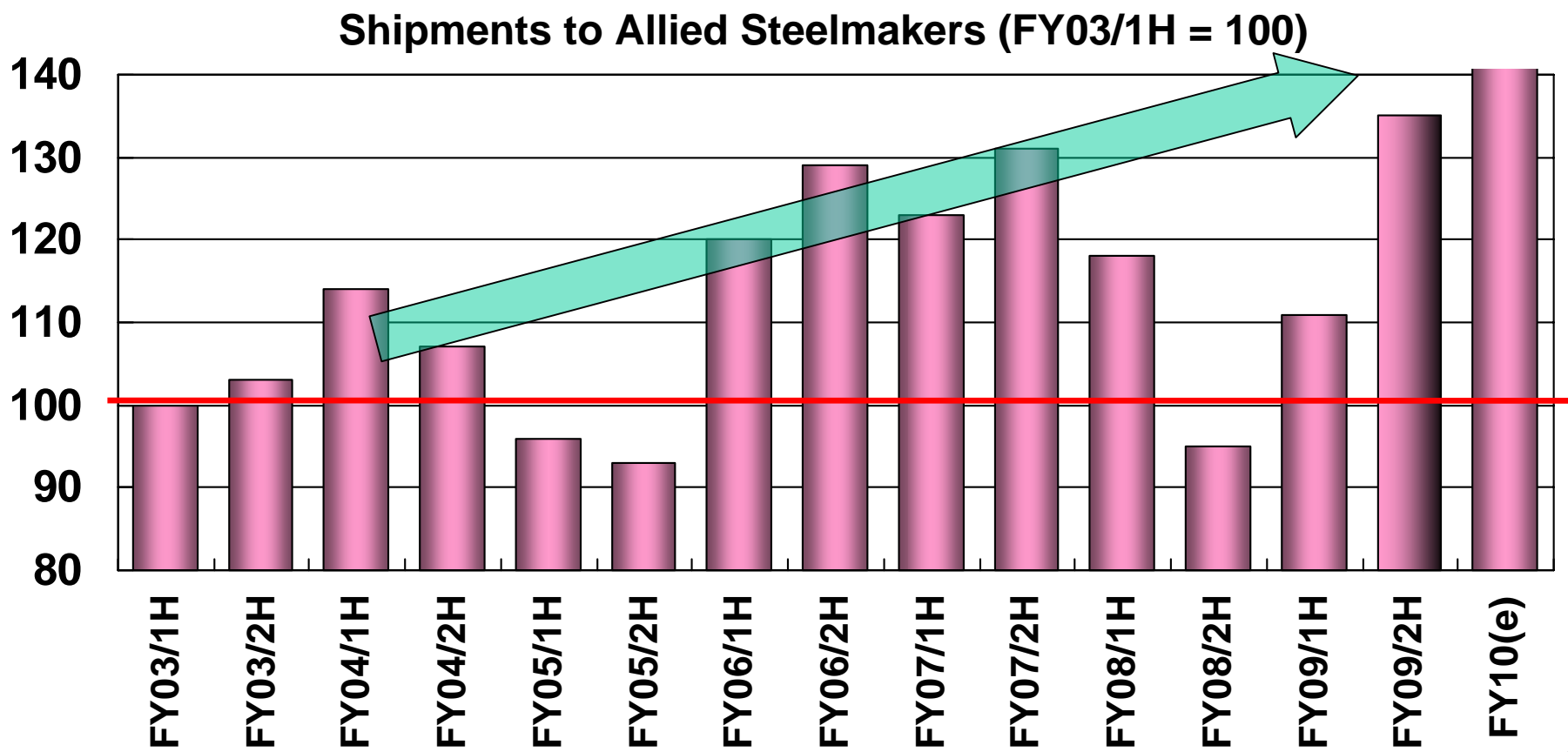
The new CGL will enable JFE steel to respond to increasingly sophisticated demand from automakers for high-end automotive steel sheet.



JFE

Capturing growing demand for high-end steel in Asian markets.

Shipments to allied steelmakers, following a temporary decrease due to the global economic crisis triggered by the collapse of Lehman in FY2008, continue to increase as the company captured growing demand for high-end steel in Asian markets.



4. Steel Business Environment

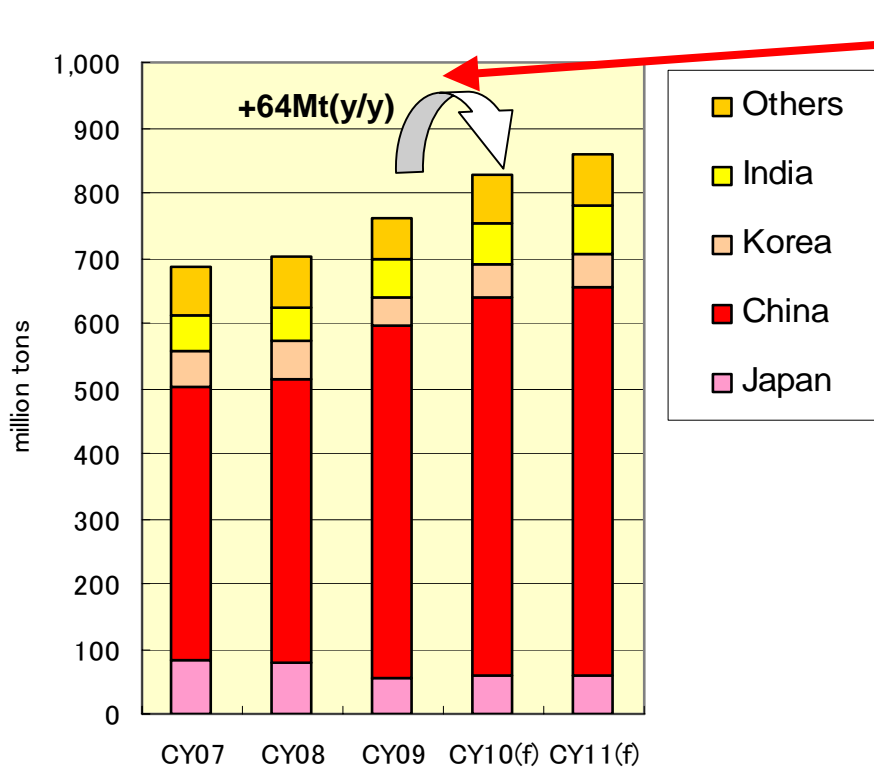
(1)Market Conditions



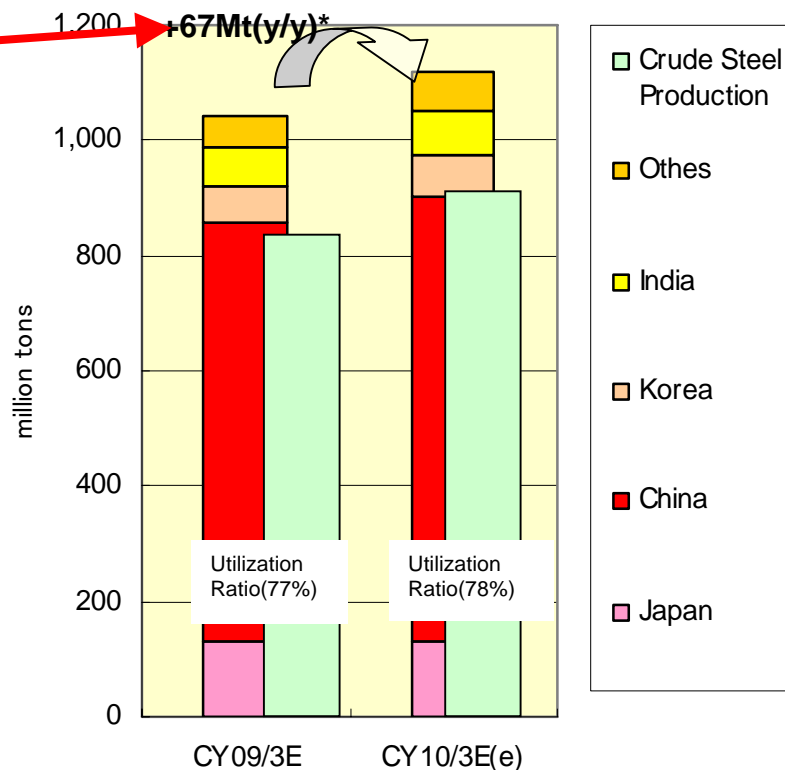
Healthy demand and supply trends in Asia will continue throughout the year 2010

Demand Increase in Asia

Apparent Steel Use in Asia

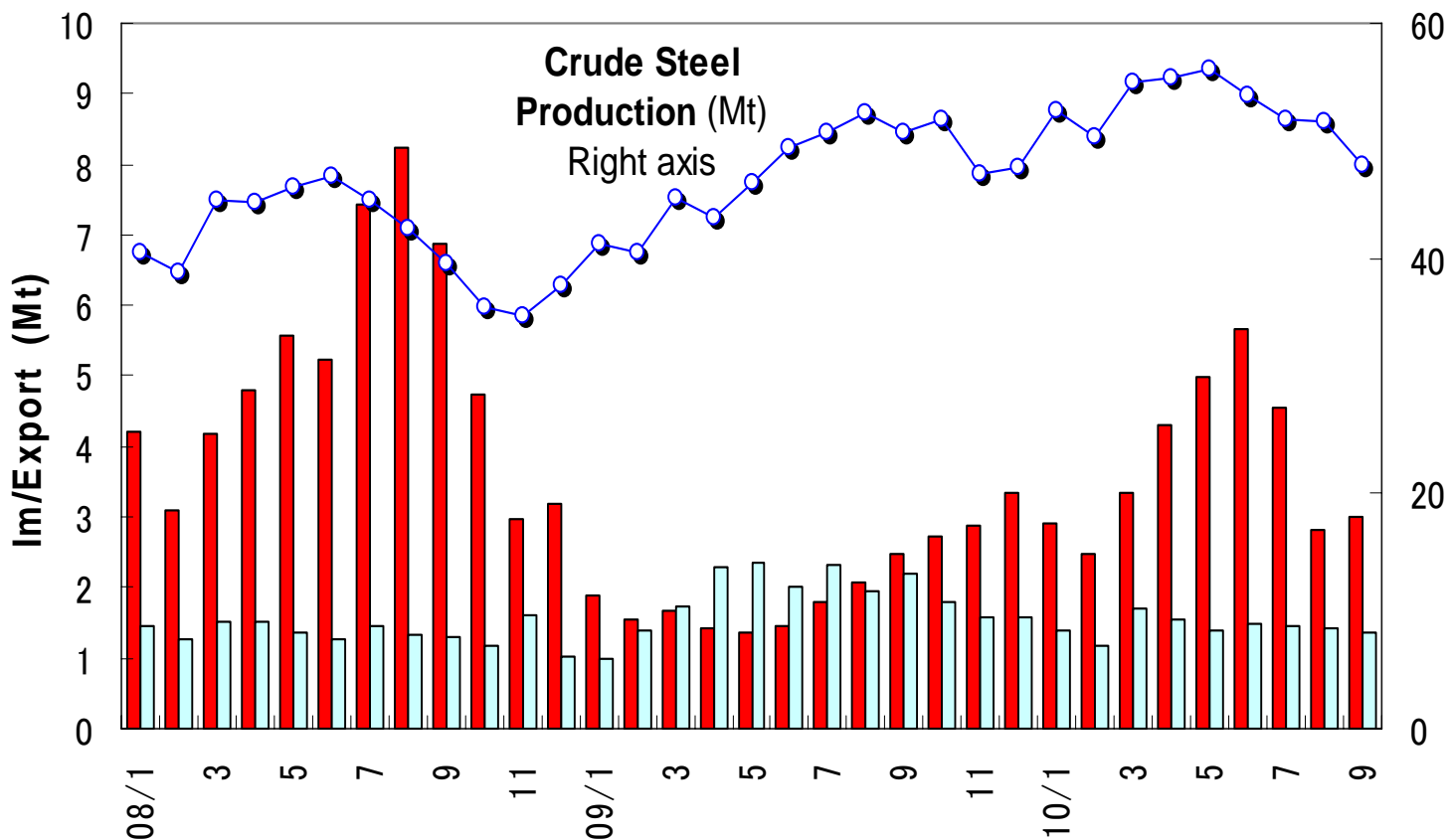


Capacity Increase in Asia (09⇒10)





Supply-demand situation is expected to balance by the end of this year.



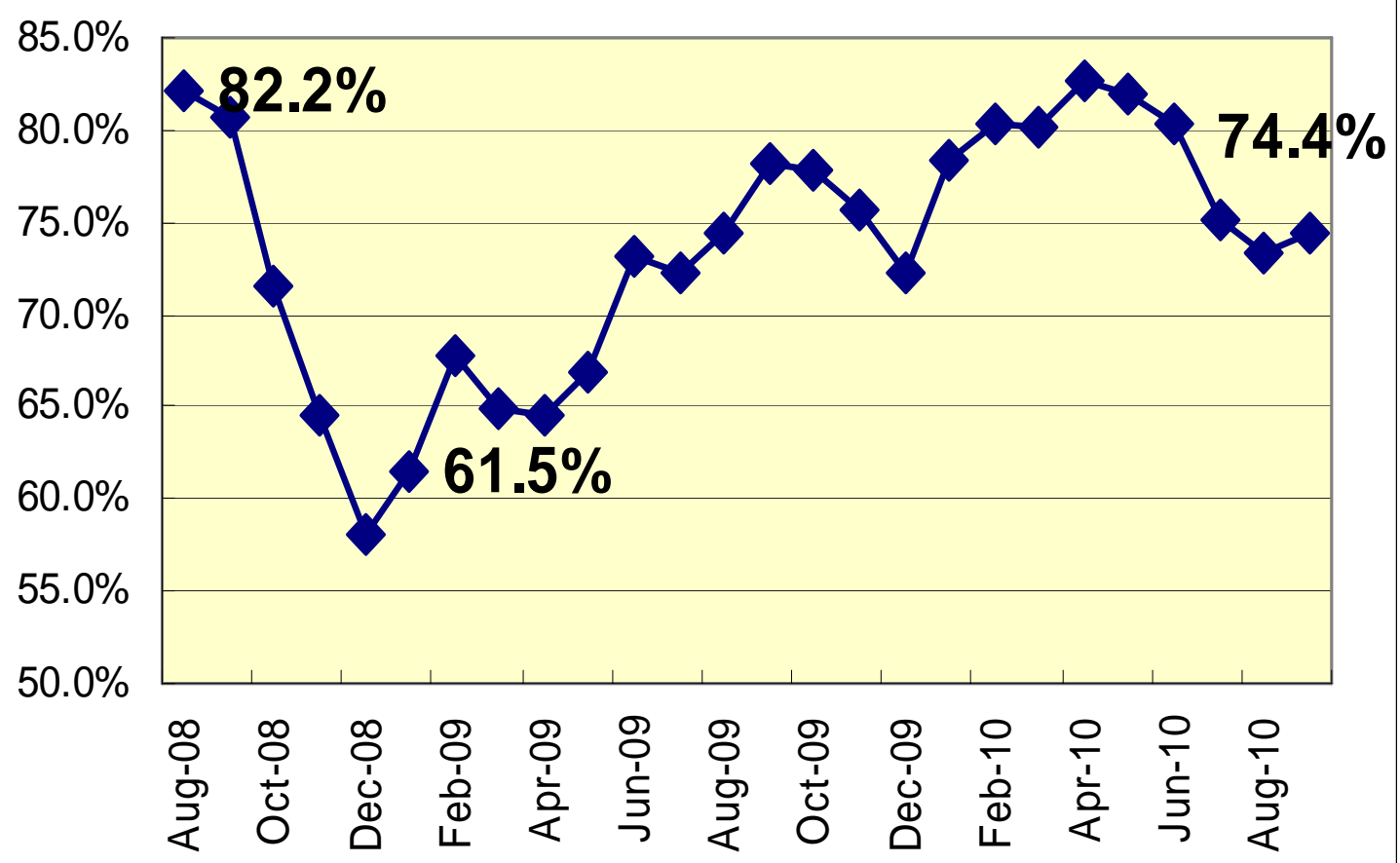


JFE

Export

World Steel Capacity Utilization Ratio

World steel capacity utilisation ratio



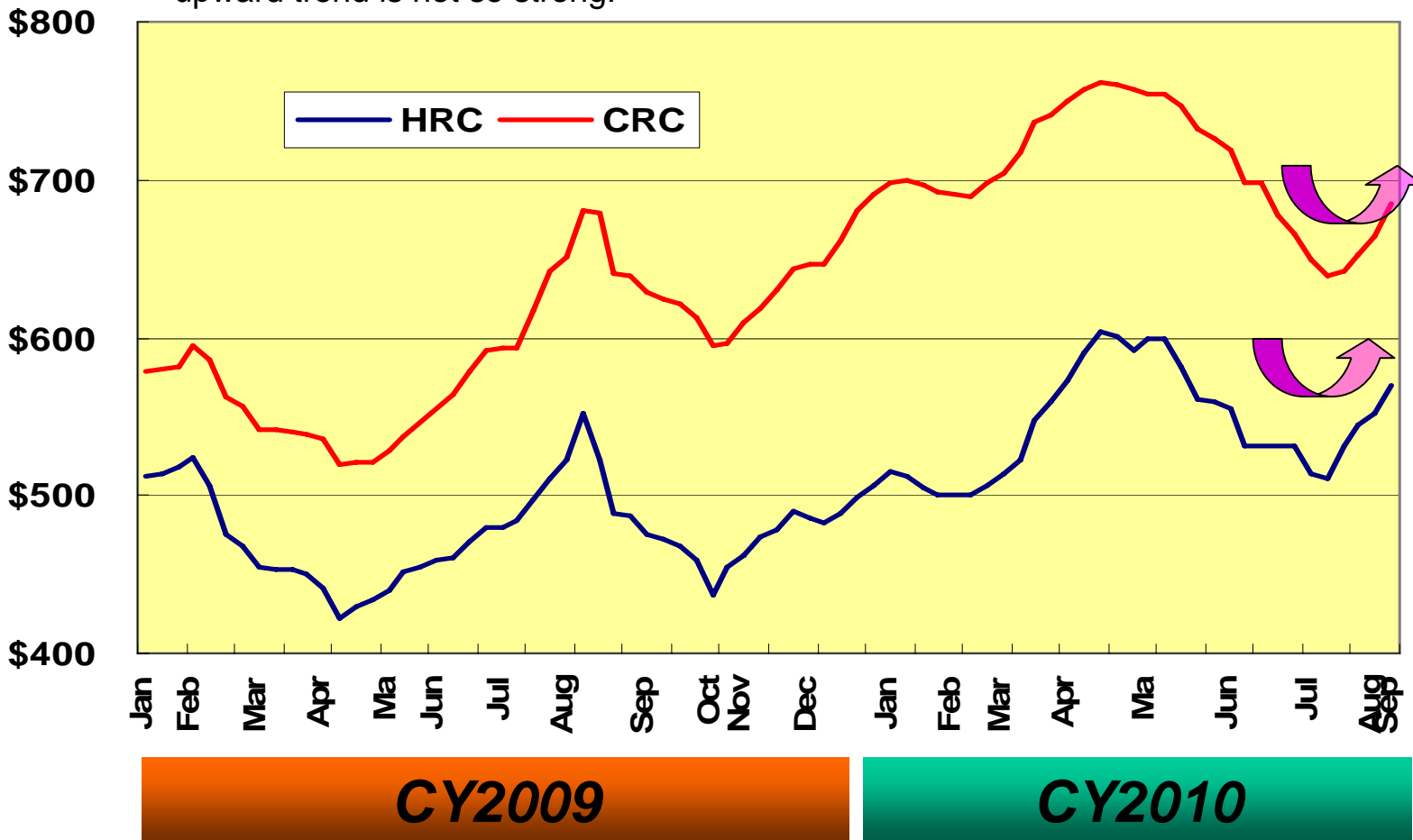


Export

Steel Sheet Prices in China

JFE

(US\$ / ton) Price has rebounded since late July and we assume gradual increase as its upward trend is not so strong.

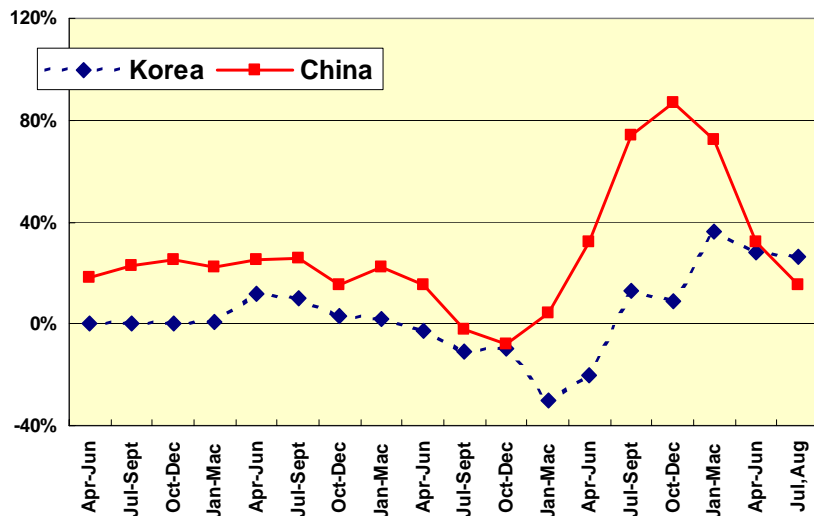


Notes: Figures does not include value-added tax. Prices are average from 21 regions of China.



Upward momentum continues in Asian Region. Keep rising y/y.

Automobile Sales in Key Countries (YoY changes)

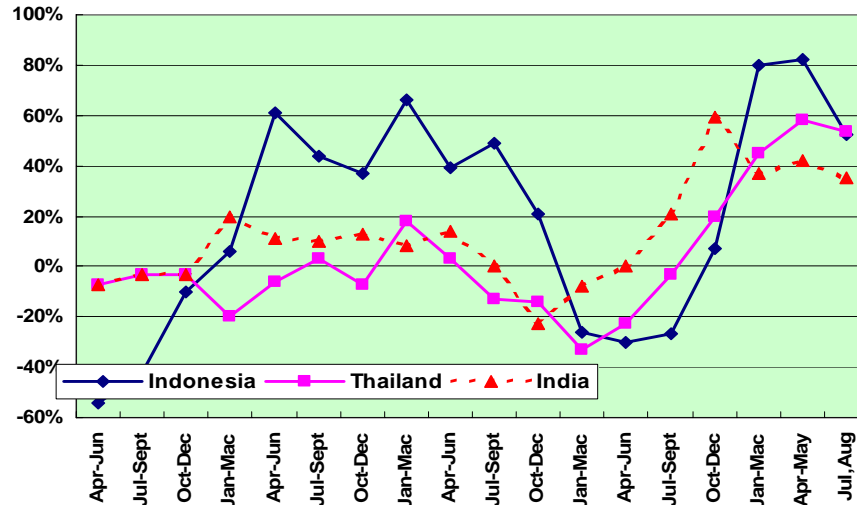


FY2006

FY2007

FY2008

FY2009



FY2006

FY2007

FY2008

FY2009

* S. Korea figures include export sales

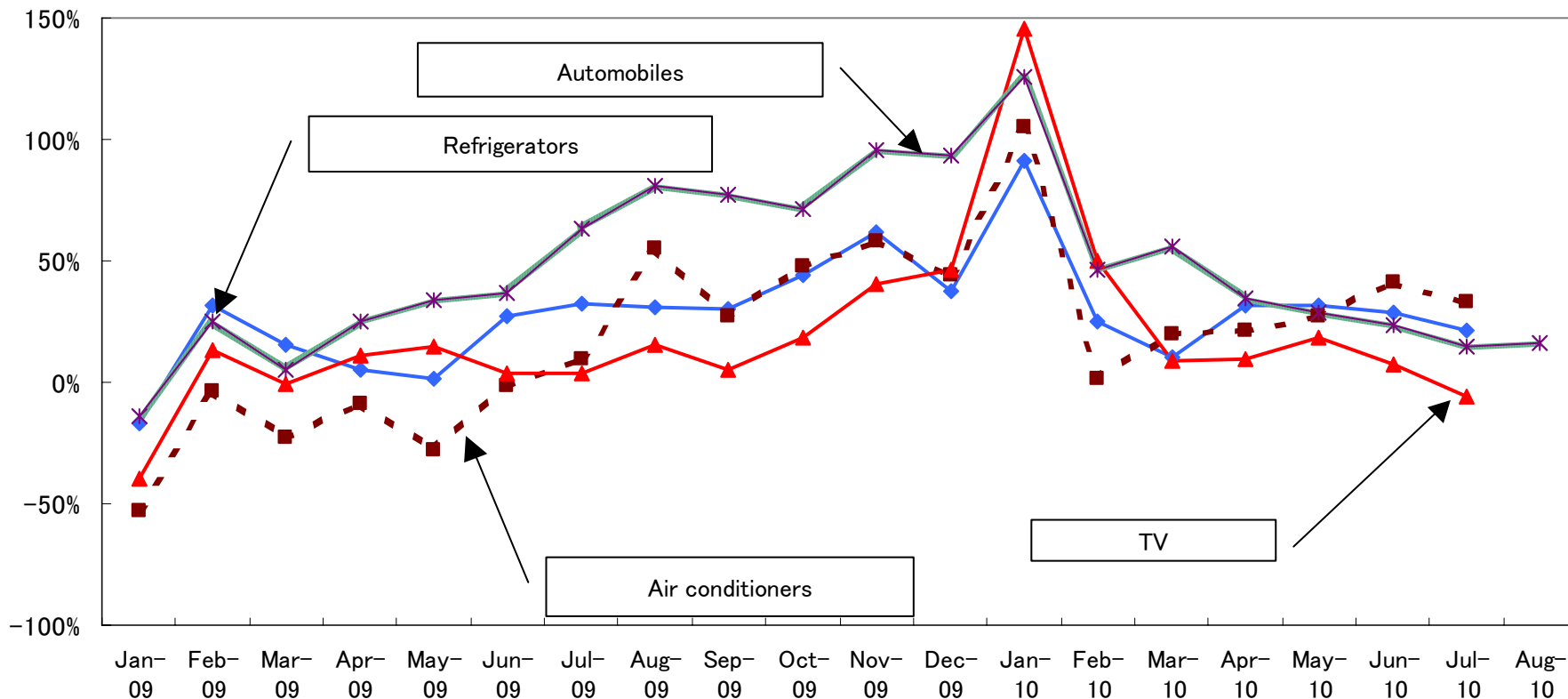
	CY07	CY08	CY09				CY10		
			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Aug
China	87.9	93.8	26.7	34.1	35.6	40	46	44.1	25.7
Korea	40.7	38.4	6.9	8.6	9	10.8	9.4	11	6.7
Thailand	6.3	6.2	1.1	1.2	1.35	1.8	1.6	1.9	1.3
Indonesia	4.3	6.1	1	1.1	1.3	1.5	1.8	2	1.4
India	19.9	19.8	5.4	5.1	5.9	6.2	7.4	7.3	5.1



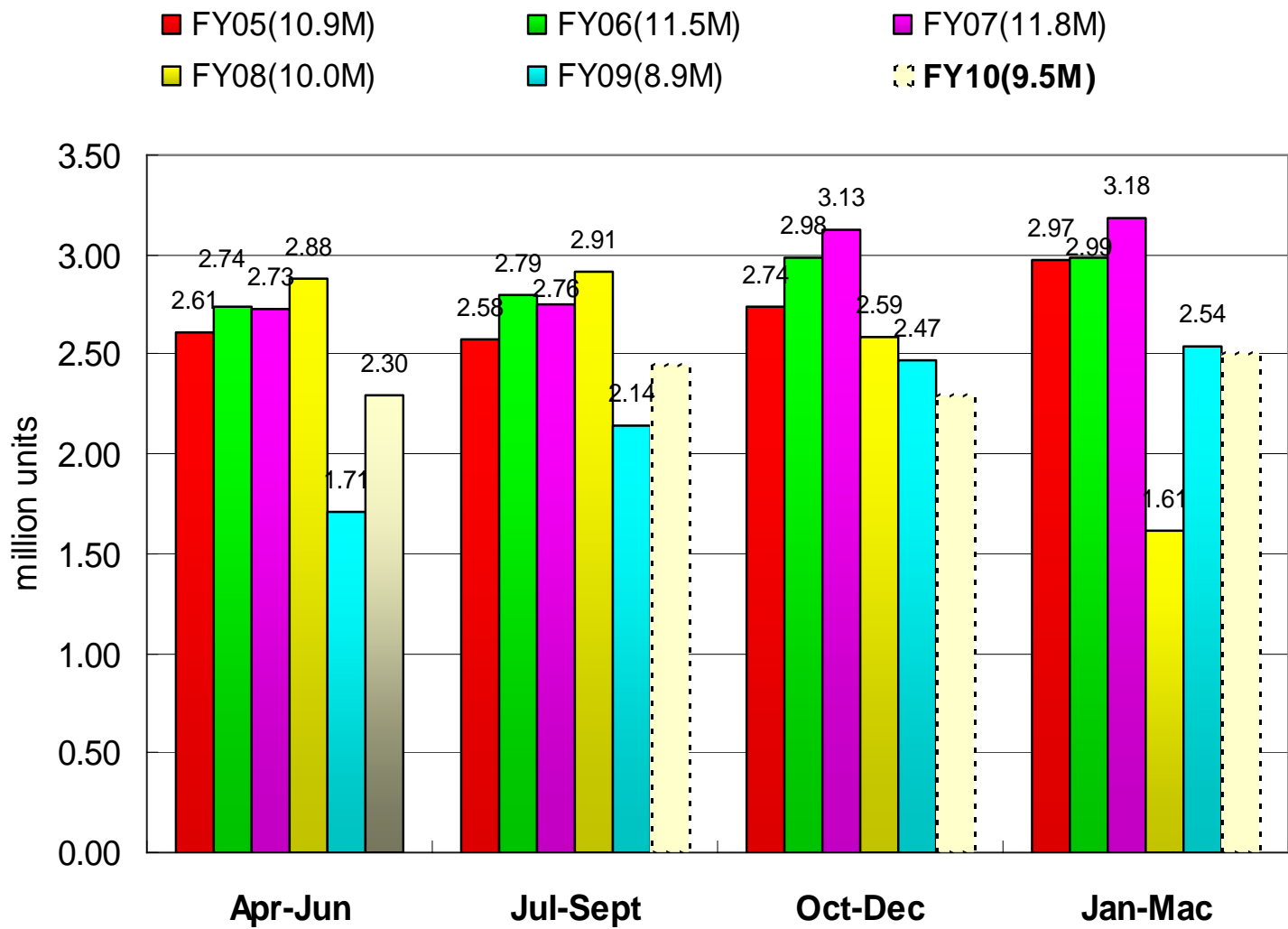
Export

Production in China

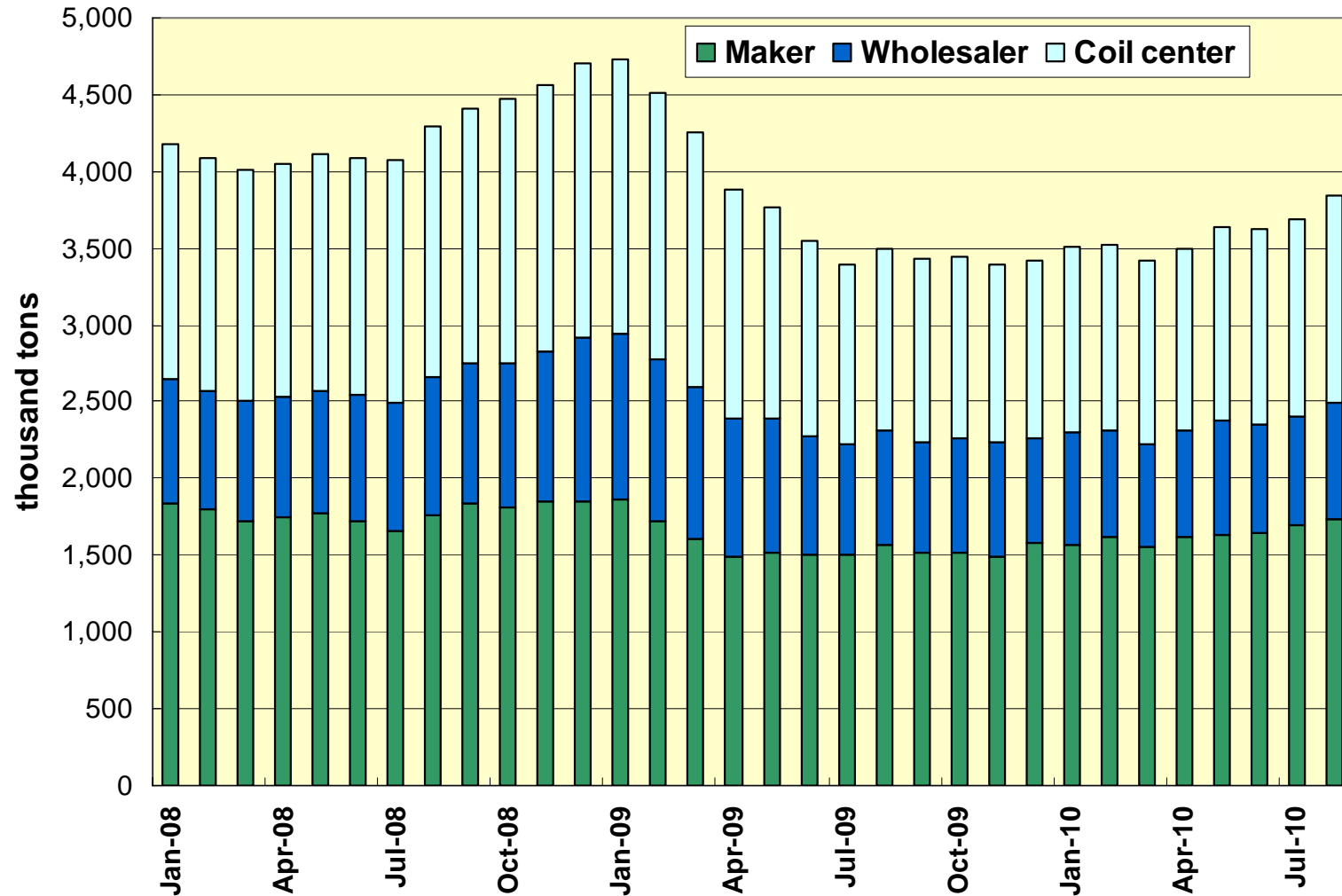
Consumer Goods Production(Year-on-year growth)



Source: Production, exports and imports:—Japan Iron and Steel Federation, “China Steel Statistics”



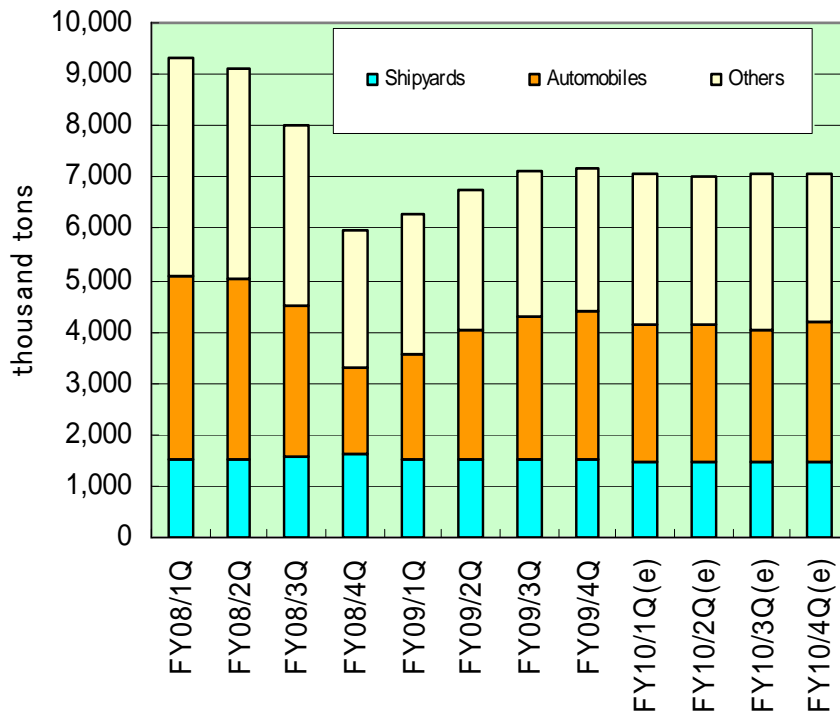
Combined Inventories of HR, CR and Surface-treated Steel Sheet



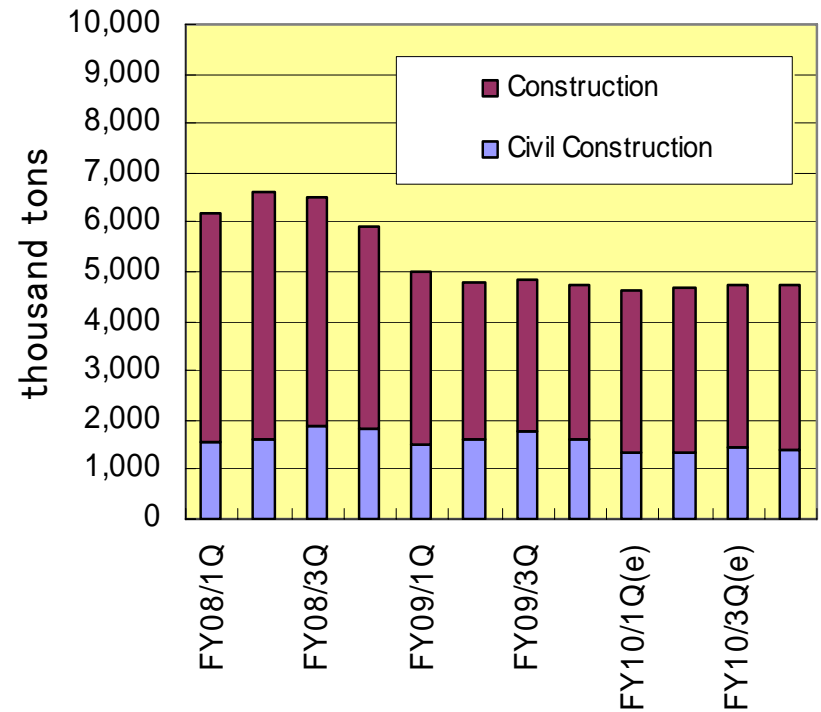


Overall: The gradual recovery since FY 2009 will continue, but demand from construction sector will remain at low levels.

Steel Demand from Manufacturing Industry



Steel Demand from Construction Sector

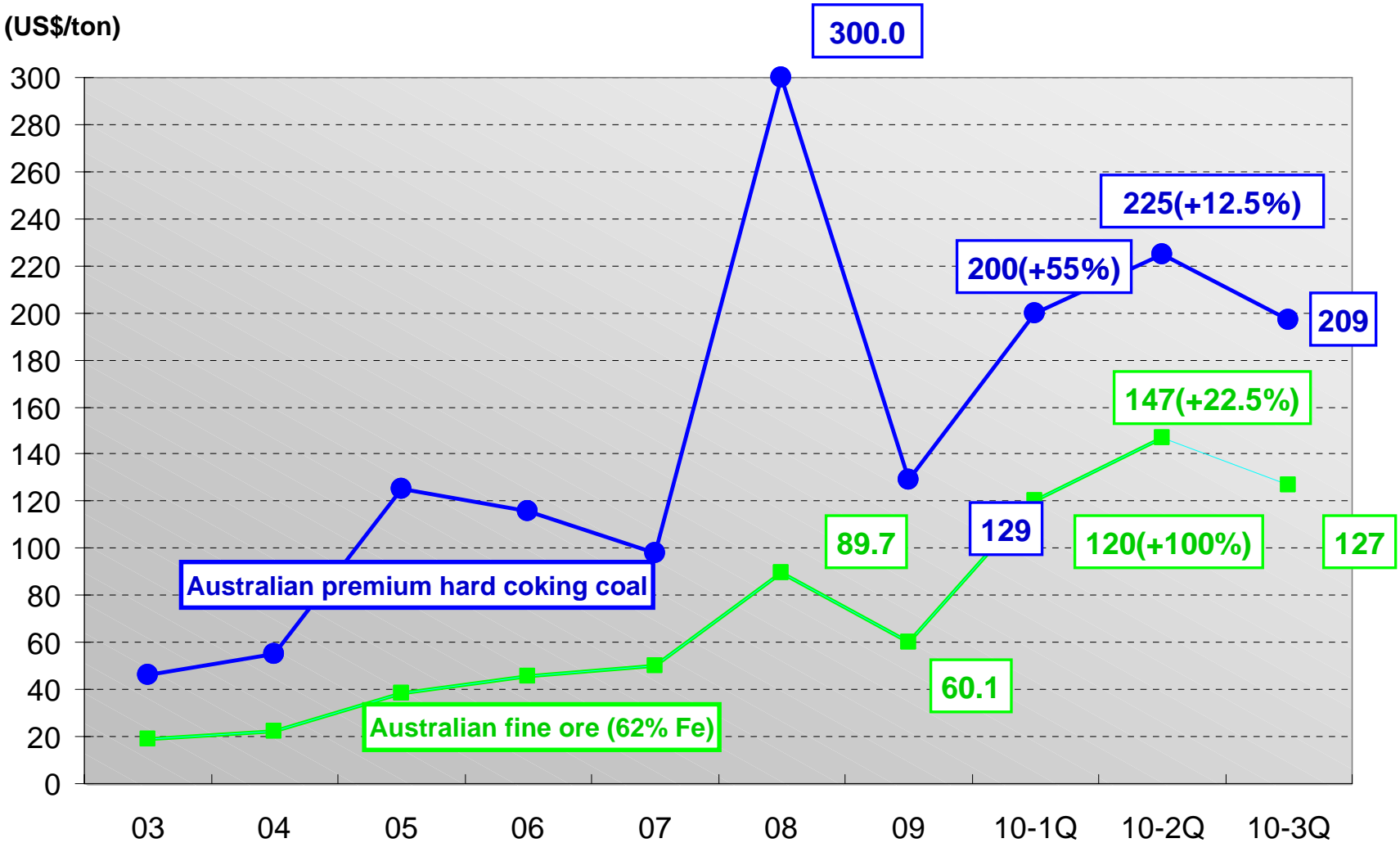


(2) Price Trends of Raw Materials

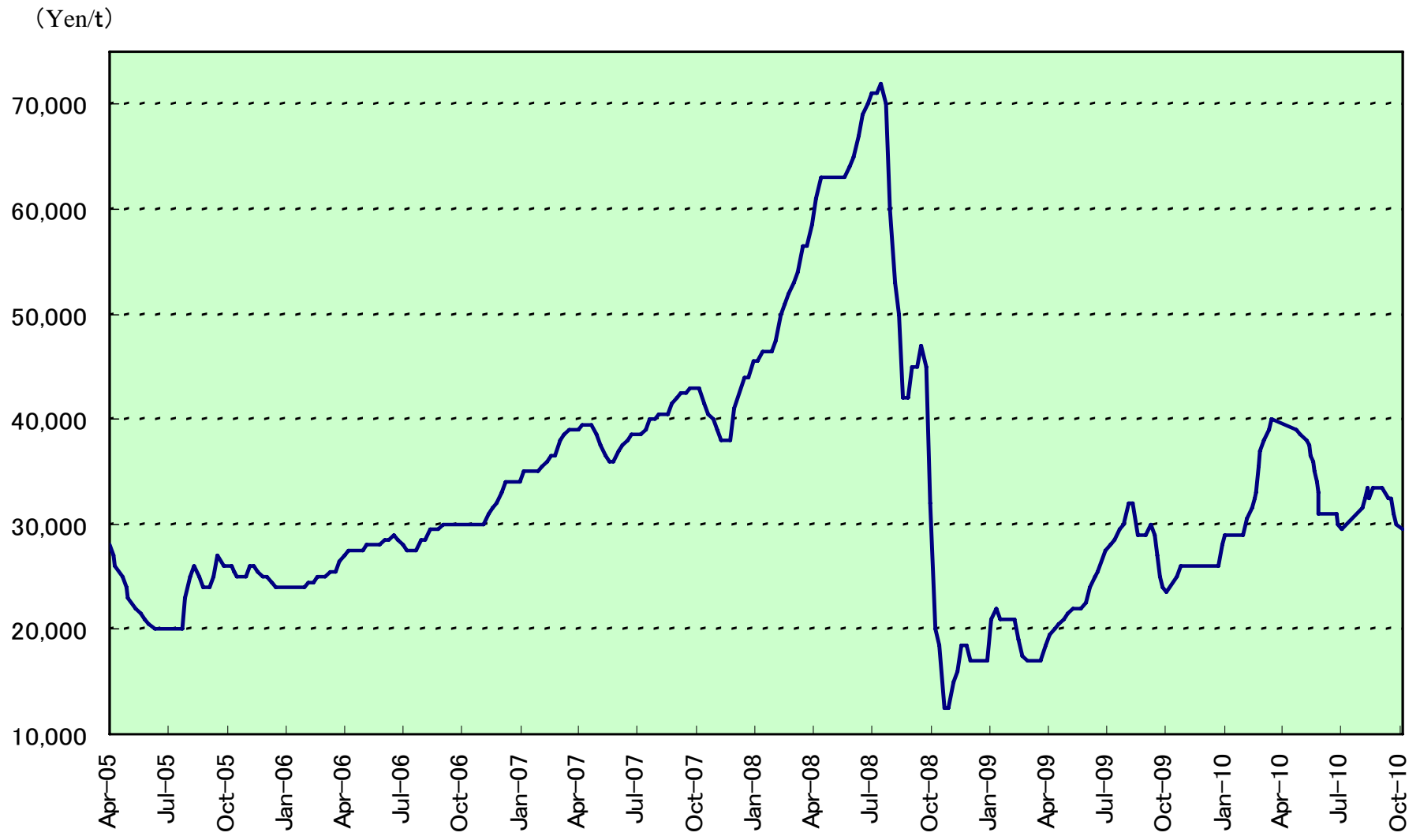


Main Raw Material Prices

(US\$/ton)



Trends in Scrap Price



5. Others

JFE Engineering Results:

Changes between FY 2009 and FY 2010

Y on Y

(billion yen)

	FY09		FY10(e)		Change
	1H	Total	1H	Total	
Orders	157	279	127	310	31
Net Sales	117	294	105	270	▲ 24
Operating Income	3	13	3	8	▲ 5
Ordinary Income	3	13	3	8	▲ 5

Notes: Main Factors behind Changes

3.5 billion yen decrease in earnings due to weaker sales, 5.3 billion yen decrease in gross margin due to lower sales prices, 3.5 billion yen increase by cost reduction, etc.

Shipbuilding Business Results:

Changes between FY 09 and FY 10

※

Y on Y

(billion yen)

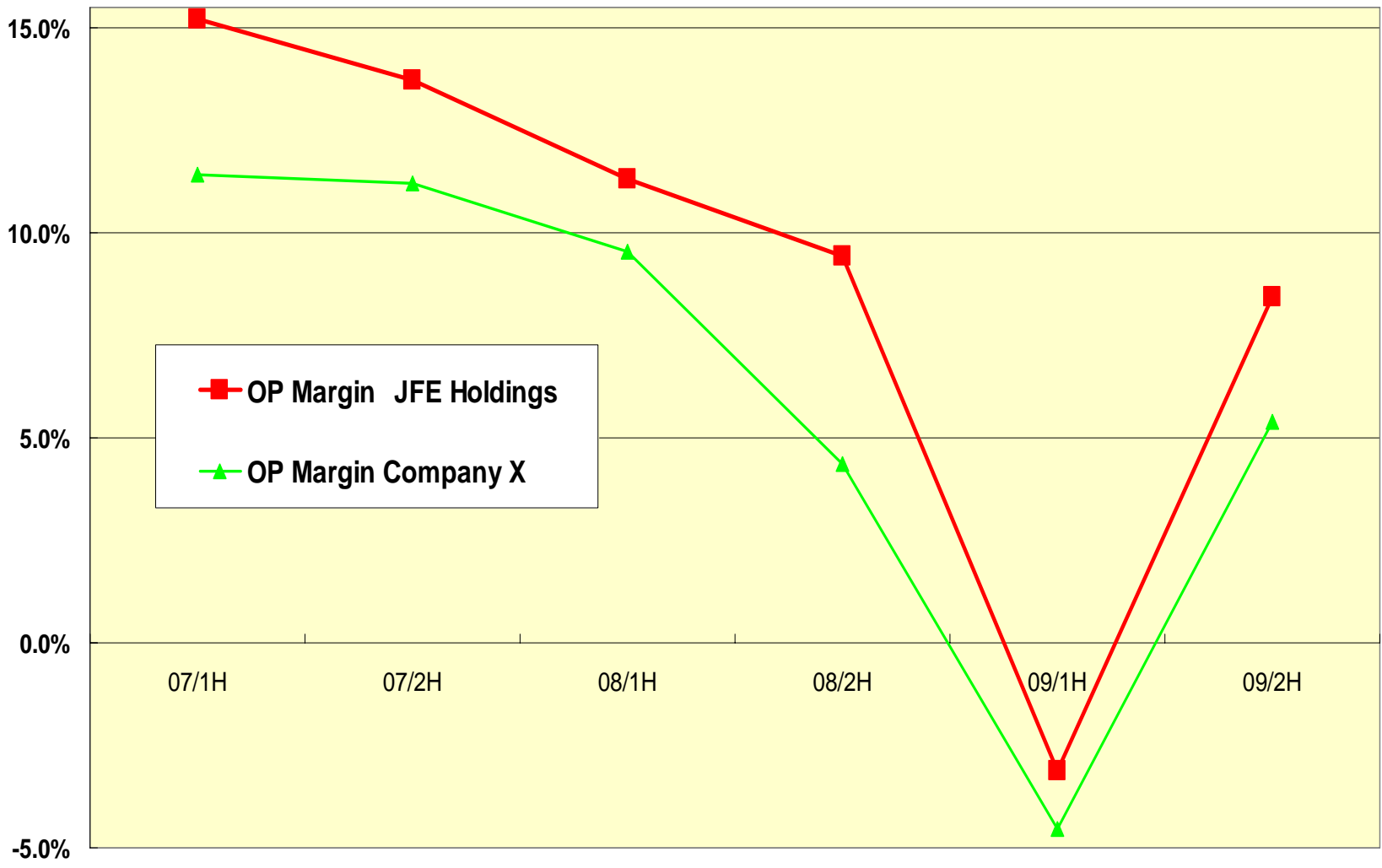
		FY09		FY10(e)		Change
		1H	Total	1H	Total	
Orders		14	59	38	110	51
Net Sales		139	287	107	210	▲ 77
Operating Income		10	21	12	13	▲ 8
	Single year income/loss	▲ 3	4	11	14	10
	Changes of allowance for losses on construction contract	15	21	3	2	▲ 18
	Ordinary Income before goodwill	12	25	14	17	▲ 9
	Goodwill amortization	▲ 2	▲ 4	▲ 2	▲ 4	0
Ordinary Income		10	22	13	13	▲ 9

Notes: Main Factors behind Changes

9.7 billion : Cost reductions, etc

19.3 billion : Difference caused by booking reversal of the allowance for losses on construction contracts.

Trends of OP Margin



Main Financial Data

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010(e)
Main financial indicators								
Ordinary income (billion yen)	218	461	517	514	503	401	69	220
ROS	8.8%	16.4%	16.7%	15.8%	14.2%	10.2%	2.4%	6.5%
ROE	15.9%	18.7%	28.6%	21.3%	17.5%	13.7%	3.3%	7.6%
ROA	6.5%	13.1%	14.6%	14.1%	13.0%	10.0%	2.2%	6.0%
D/E ratio	246.2%	149.4%	88.7%	78.6%	85.7%	132.4%	103.2%	98.7%
D/E ratio *					61.4%	98.9%	75.5%	72.6%
Shares								
Net income (yen/share)	185.8	274.0	555.0	513.6	450.6	355.6	86.4	208.1
Dividends (yen/share)	30	45	100	120	120	90	20	20

* For hybrid bonds issued in March 2008, 75% of the 300 billion yen issue price is deemed to be capital.

6. Capturing Growth Opportunities in Greater East Asian Market Steel

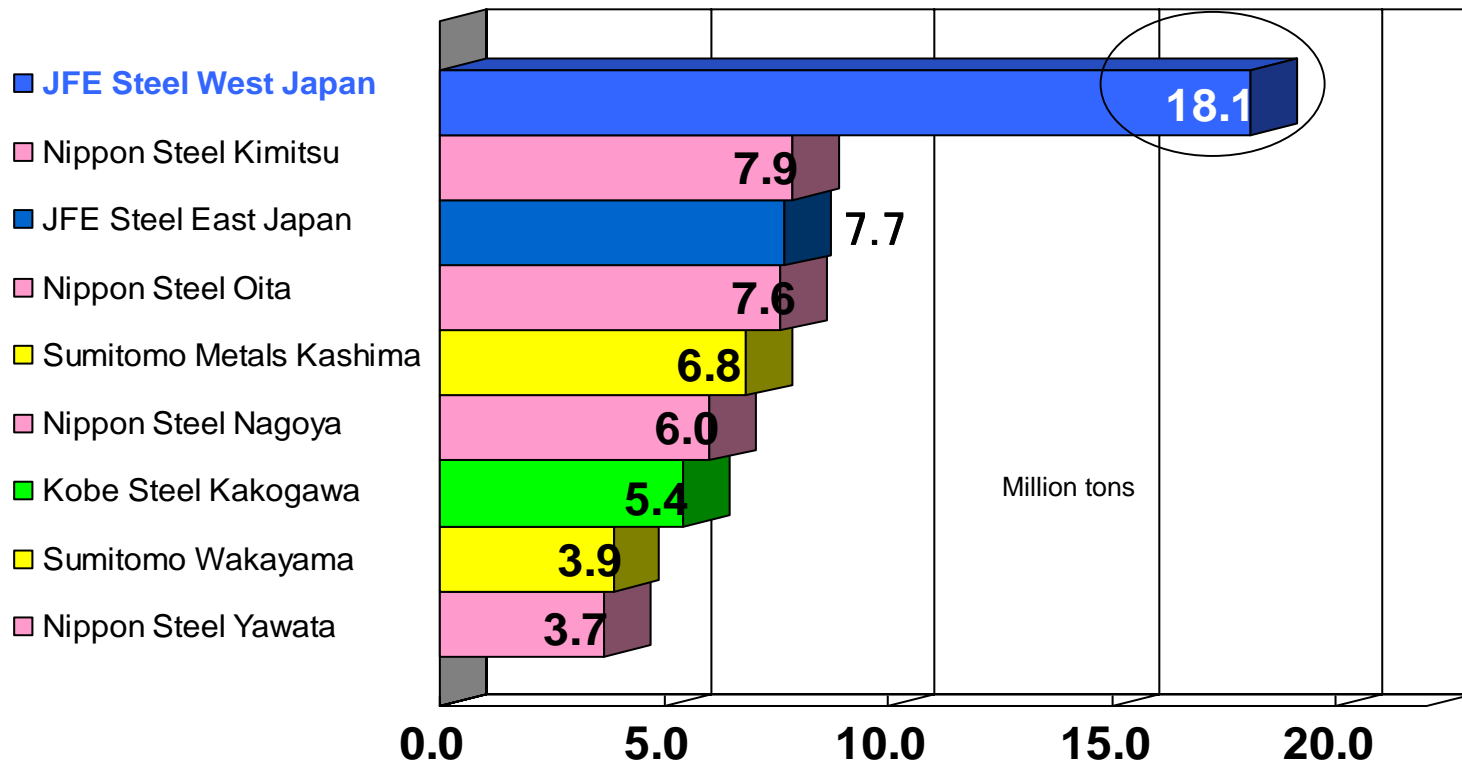
(1) Advantages of JFE Steel

Advantages of JFE Steel (1): Economies of Scale

Cost competitiveness of JFE Steel based on **we have consolidated large steelworks** at two location.

Sharing infrastructure, JFE's steelworks are operated at **energy-efficient way**, need no **transferring cost of slabs** to the other works and **fixed cost** of those are **relatively lower**.

Crude Steel Production by Steelworks in FY ended March 2010

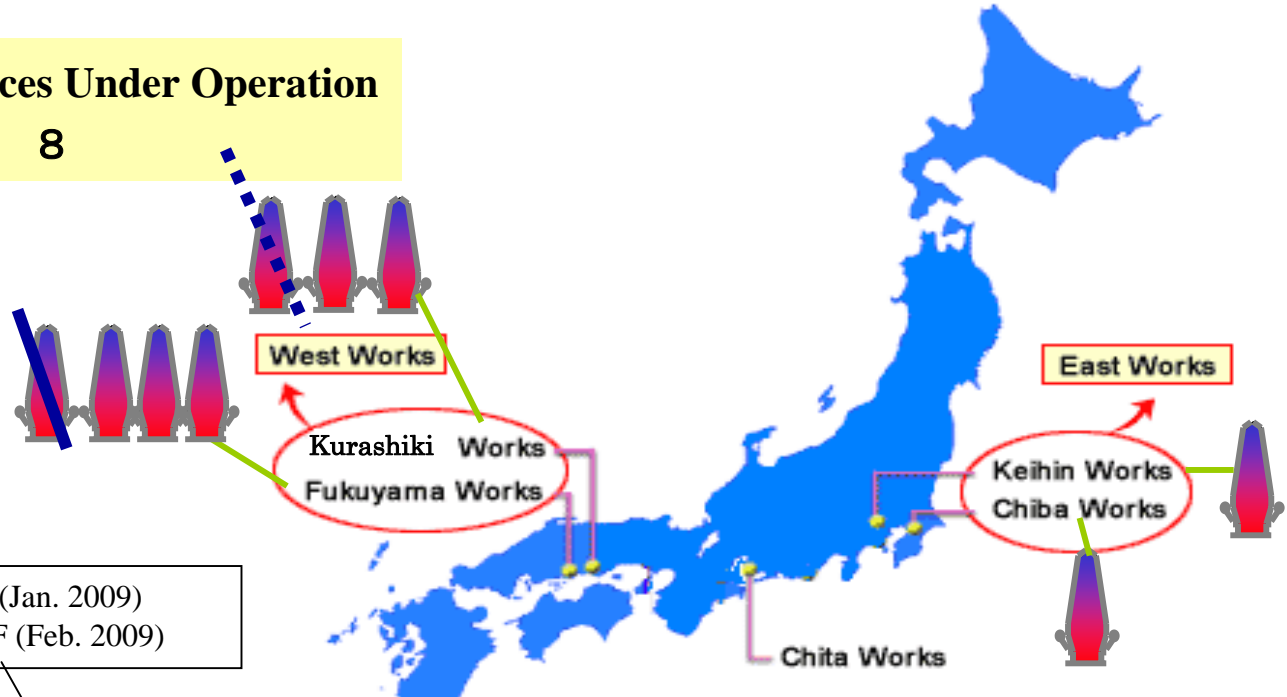


Advantages of JFE Steel (2): Flexible Production System

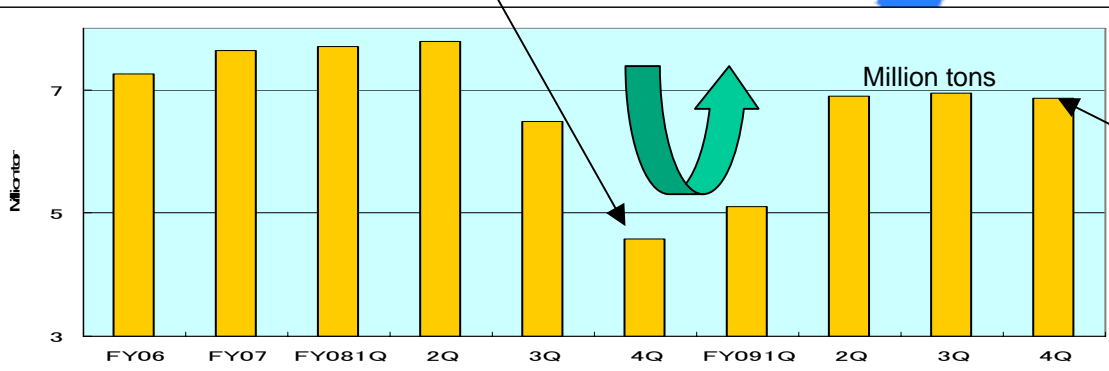
Accurately adjusted production to demand (blast furnace)

Number of Blast Furnaces Under Operation

9 ⇒ 7 ⇒ 8



Suspension of Kurashiki No.3 BF (Jan. 2009)
Suspension of Fukuyama No. 3 BF (Feb. 2009)

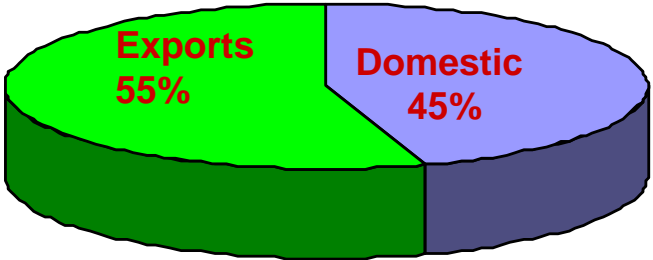


Re-lined and Restart No.3 BF at Kurashiki
(Feb. 2010)

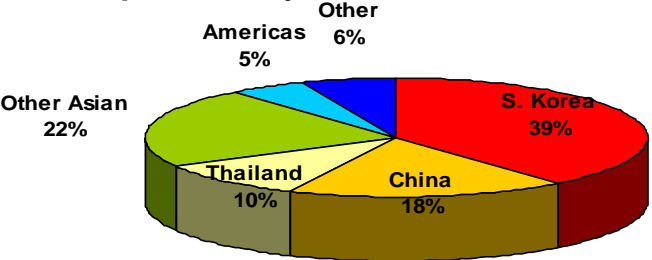


Advantages of JFE Steel (3): Stable Customer Bases both Domestic and Asia

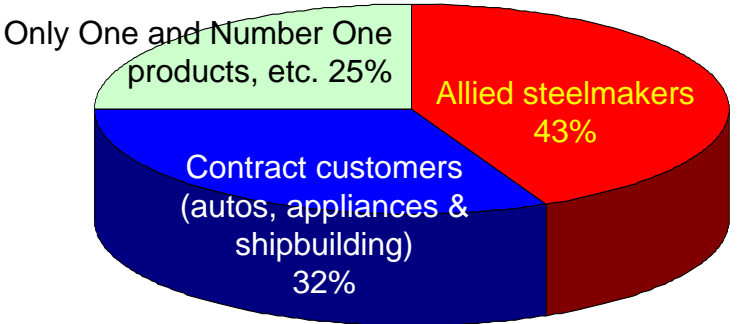
FY 09



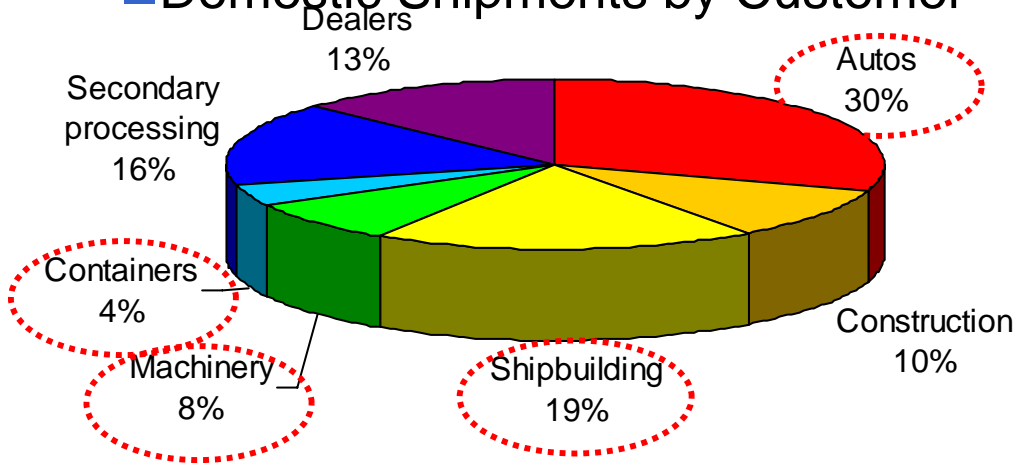
■ Exports by Destination



■ Exports by Customer



■ Domestic Shipments by Customer



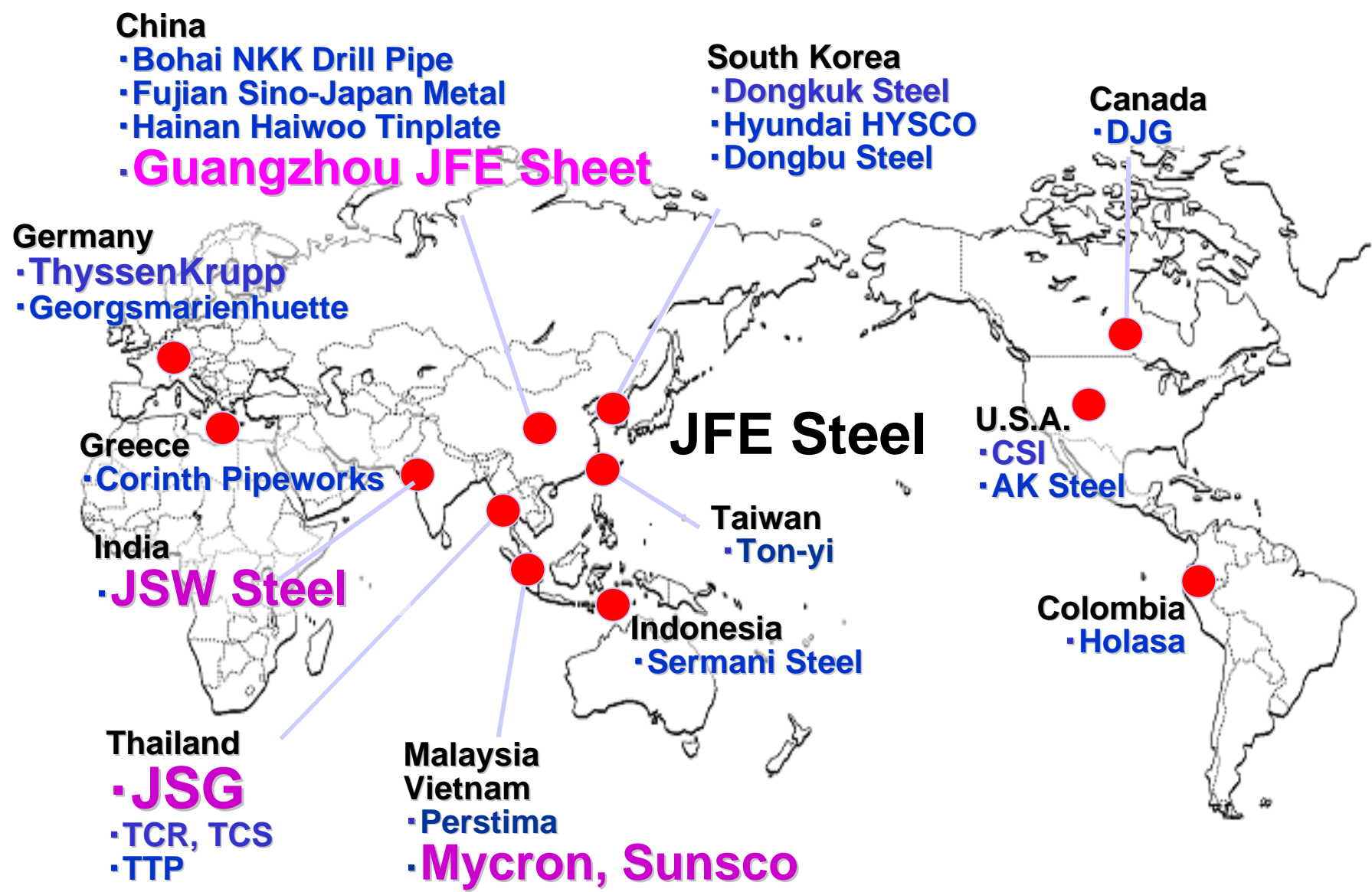
With the customer overseas, price negotiation be done mainly by semi-annual or quarterly basis.

: Prices usually negotiated on annual basis.



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Reference : Alliances with Overseas Steelmakers



(2) Target Market

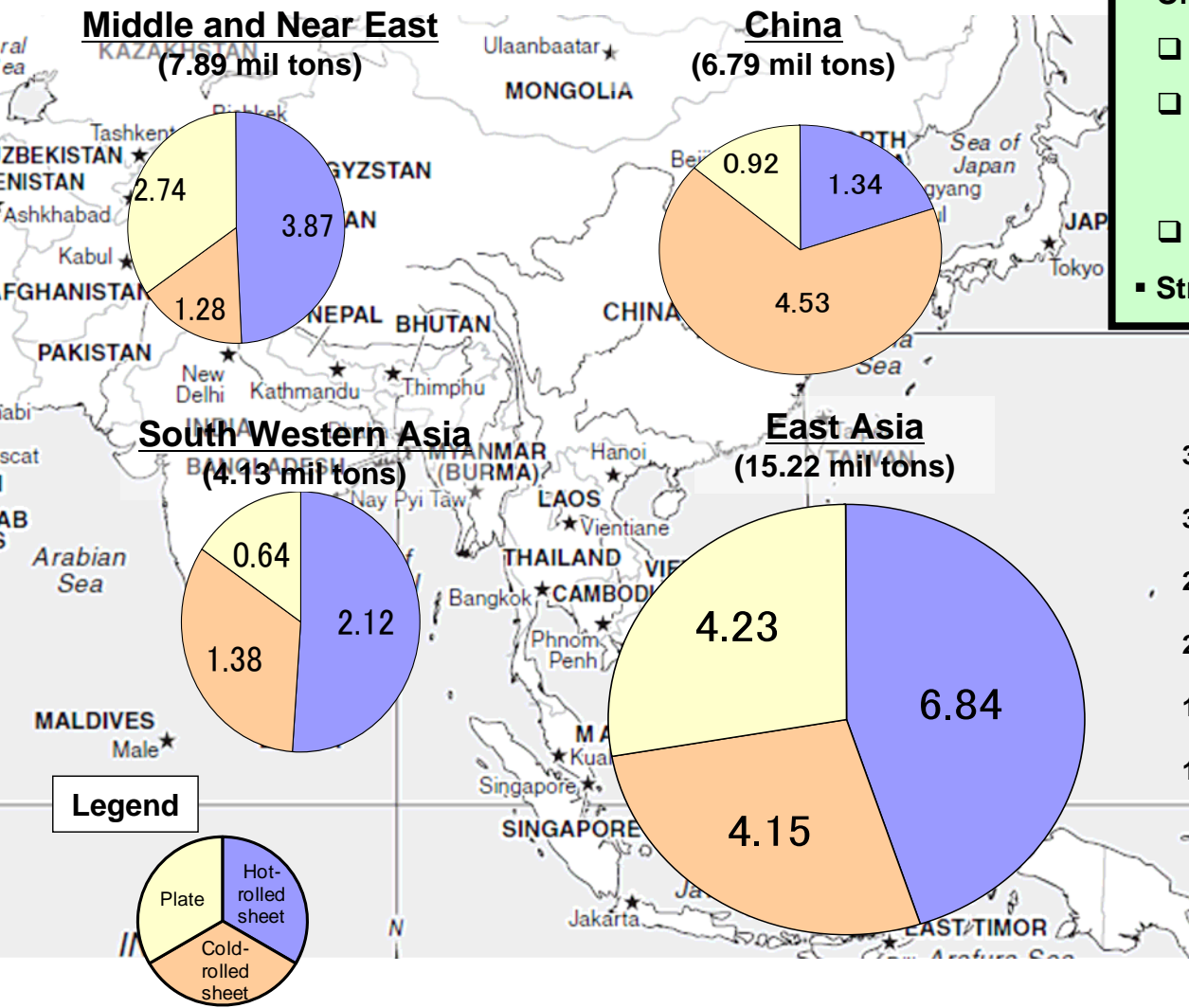
Greater East Asia as our “Home Market”



JFE

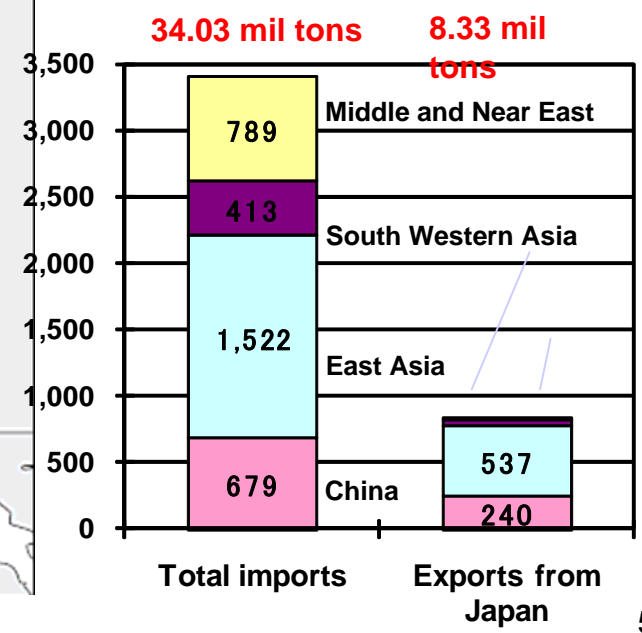
Export Expansion Focusing on Asia

Regional Import Volumes in 2008 (see legend)



Strategies to Expand Exports

- Organization
 - Make extended visits to develop sales
 - Restructure sales: 10 departments & 15 sections → 13 departments & 18 sections
 - Strengthen overseas offices
- Strengthen alliances






Business Models that Respond to Each Market

JFE

- ◆ Further Strengthen the established relationship
- ◆ Seek New Alliance in New Market

Distance from Japan 									
	Korea	China	Thai	East Asia	India	Middle East	North America	South America	Europe
Export	Expanding Sales								
Vertical Alliance (Export of semi-finished goods)	Dongkuk Hyundai Hysco Tongbu	GJSS Tin Plate Mill	TCR TCS JSG	Tin Plate Mill	(JSW)		CSI	Tin Plate Mill	
Localiza tion			Study feasibility of Integrated Steel Work Projects				AK Steel	Study feasibility of Slab Projects	
Technologic al Alliance	Dongkuk Hyundai Hysco						AKSteel (USS)		TKS GMH

Localization 

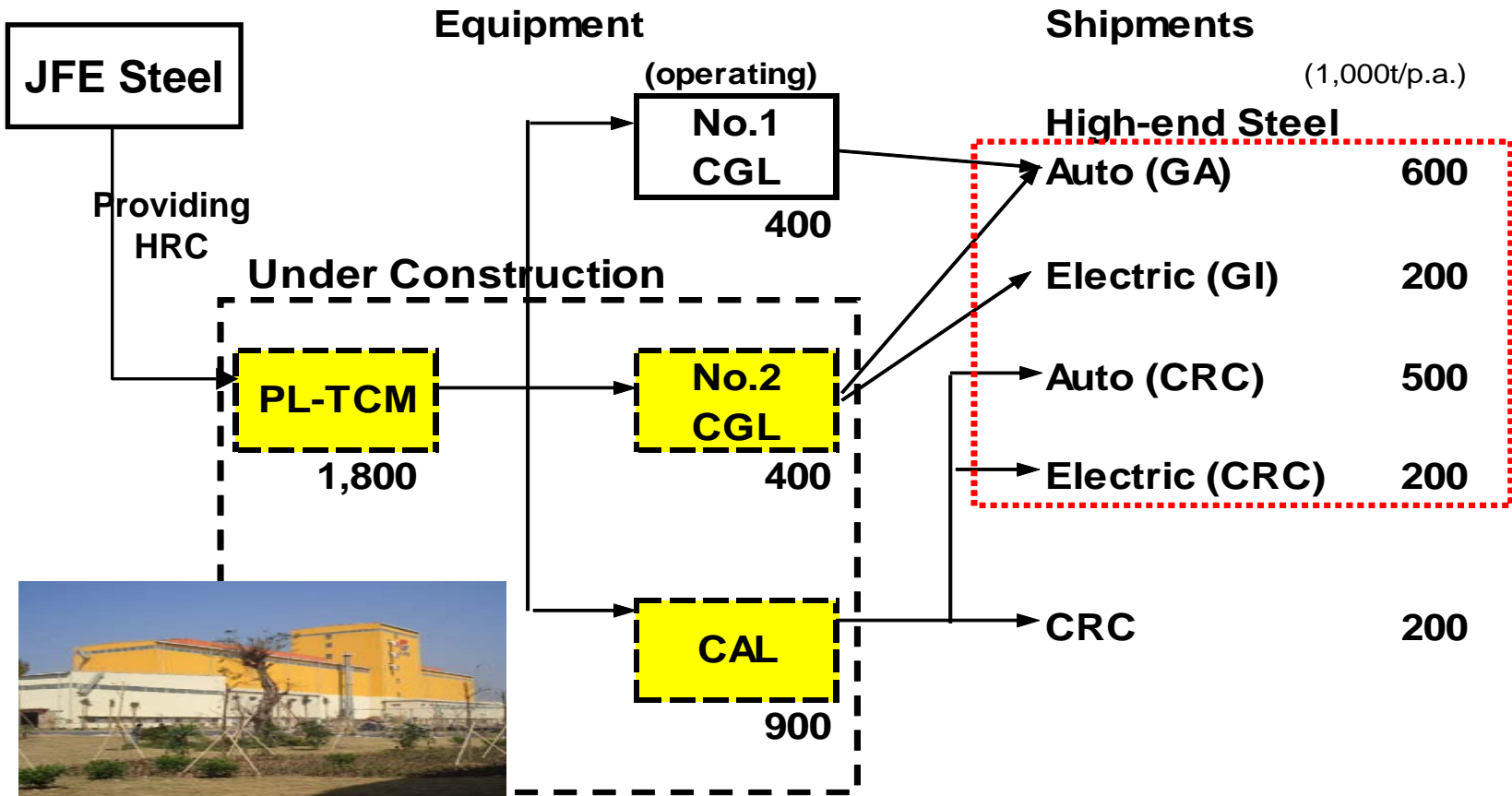


JFE

Expansion of Capacity in Guangzhou, China

Guangzhou JFE Steel Sheet (JFE ownership: 50%)

- Phase 1: Started operating #1 CGL (March 2006)
- Phase 2: Start operating expanded line





Expansion of Alliances

JFE

India

Strategic collaboration with **JSW Steel**, India's major steel maker [announced Nov. 2009]

- Help JSW Steel expand crude steel capacity from current 7.8 million tons to 11 million tons in 2011 and then to 32 million tons in 2020.
- **Collaborate on steel products for automobiles** (supply production technology, substrate and cooperative services)
- **Others (participate in West Bengal project, make joint capital investments, etc.)**

Malaysia

Mycron Steel [announced Feb. 2010]

- Made **3% capital investment** (179 million ringgits, or about 4.9 billion yen)
- Supply automotive technology and EG substrate
- Increase supply of hot-rolled coil after Mycron's introduction of new cold reduction mill
- **Increase supply of hot rolled steel to 200,000 tons/year** by around 2012

Vietnam

SUNSCO [announced Feb. 2010]

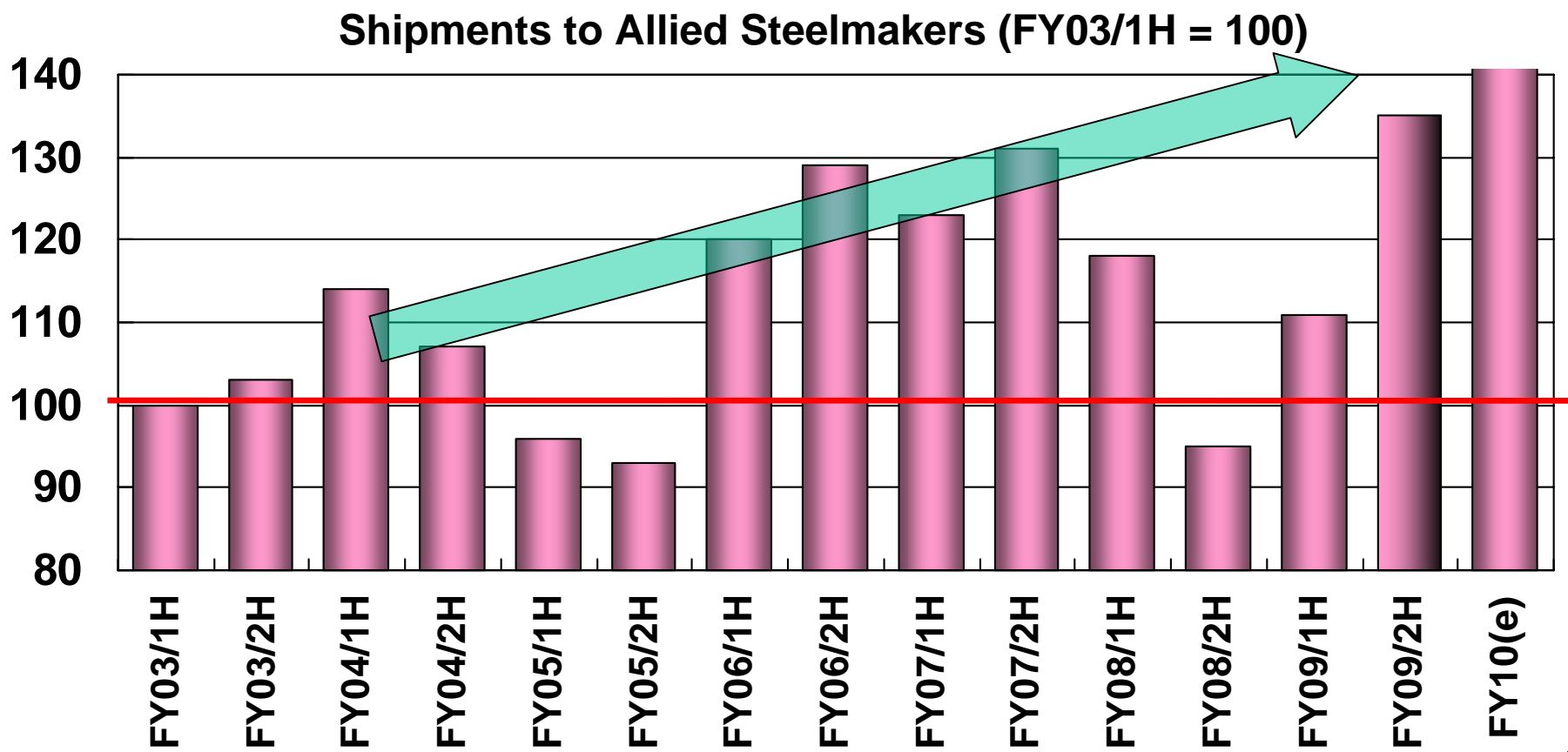
- Made **8% capital investment** (US\$ 130 million, or about 11.7 billion yen). Major shareholder is Maruichi Steel (64.3%).
- **Increase hot rolled steel supply to 50,000 tons/year in 2010 and then 100,000–150,000 tons/year in 2011**



JFE

Capturing growing demand for high-end steel in Asian markets.

Shipments to allied steelmakers, following a temporary decrease due to the global economic crisis triggered by the collapse of Lehman in FY2008, continue to increase as the company captured growing demand for high-end steel in Asian markets.



JFE Steel and JSW Steel Take First Concrete Steps in Strategic Cooperation

As a first step of the implementation of “Strategic Collaboration Agreement” signed on November 19, 2009, JFE Steel and JSW Steel came to an agreement on **(A) JFE Steel’s equity participation in JSW and (B) technical cooperation with JSW Steel.**

Concrete content of agreement

(A)JFE Steel’s equity participation in JSW

JFE Steel will acquire 14.99% voting rights by subscribing to preferential allotted shares in JSW Steel with the total investment of 90 billion yen.



The two companies plan to cooperate in a variety of areas including follows;

- (a) Promote cooperation in the areas of steel products in India.
- (b) Study the possibility of further cooperation such as the JSW Steel’s envisioned West Bengal steel plant project.

(B) JFE Steel's technical assistance for JSW

(a) Cooperation in the Automotive Steel

【Objective of Agreement】

Through newly announced agreements, JFE Steel looks forward to deepening its collaboration with JSW Steel to establish a solid base for production and sales and thereby grow its market in India.

【Essential point of Agreement】

- JFE Steel will provide JSW Steel with technology for the production of hot-rolled coils and cold-rolled coils for automotive use,
- JFE Steel will supply JSW Steel with substrates, and
- The two companies will jointly provide automotive customers with services including engineering and product development.

(b) Technical Assistance for operational improvements of JSW's Vijayanagar Works

The two companies agreed on the areas of JFE Steel's technical assistance for JSW's Vijayanagar Works' operational improvements, such as

- Energy reduction/ environmental protection
- Improvement of production process quality and yield
- Production capacity analysis and indices benchmarking

(Reference) JFE STEEL & JSW STEEL COME TOGETHER IN A STRATEGIC COLLABORATION [announced on Nov. 19th, 2009]

(A) Collaboration for Automotive Steel Production:

- Supply of substrate materials for hot rolled, cold rolled and galvanized products.
- Joint service activities including application engineering and product development for automotive customers.

(B) Further Collaboration in the near future:

- Production of steel products other than automotive steel.
- Energy reduction programmes ▪ Environmental programmes
- Quality and yield improvement programmes
- Performance audit of JSW facilities
- Benchmarking of techno-economic parameters between the parties
- Procurement of raw materials both in and outside of India
- Project for building and operating an integrated steel production facility in JSW's West Bengal Steel Project
- Mutual Stockholding

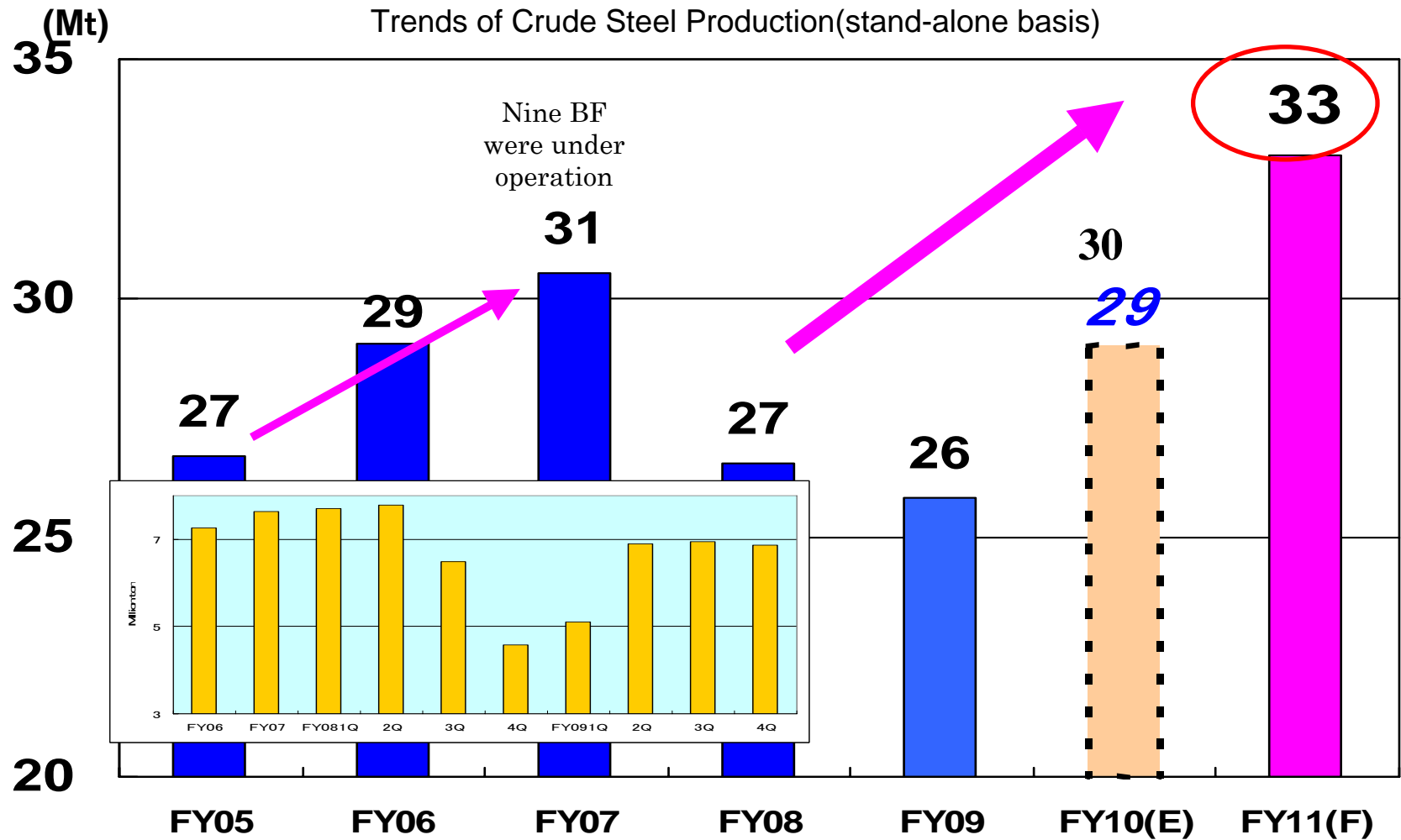
○... Concluded agreements in the equity participation and technical cooperation agreement signed July 27th, 2010

(3) Expansion of Production Capacity



JFE

Production Capacity Expand to 33 million tons (JFE Steel non-consolidated basis)

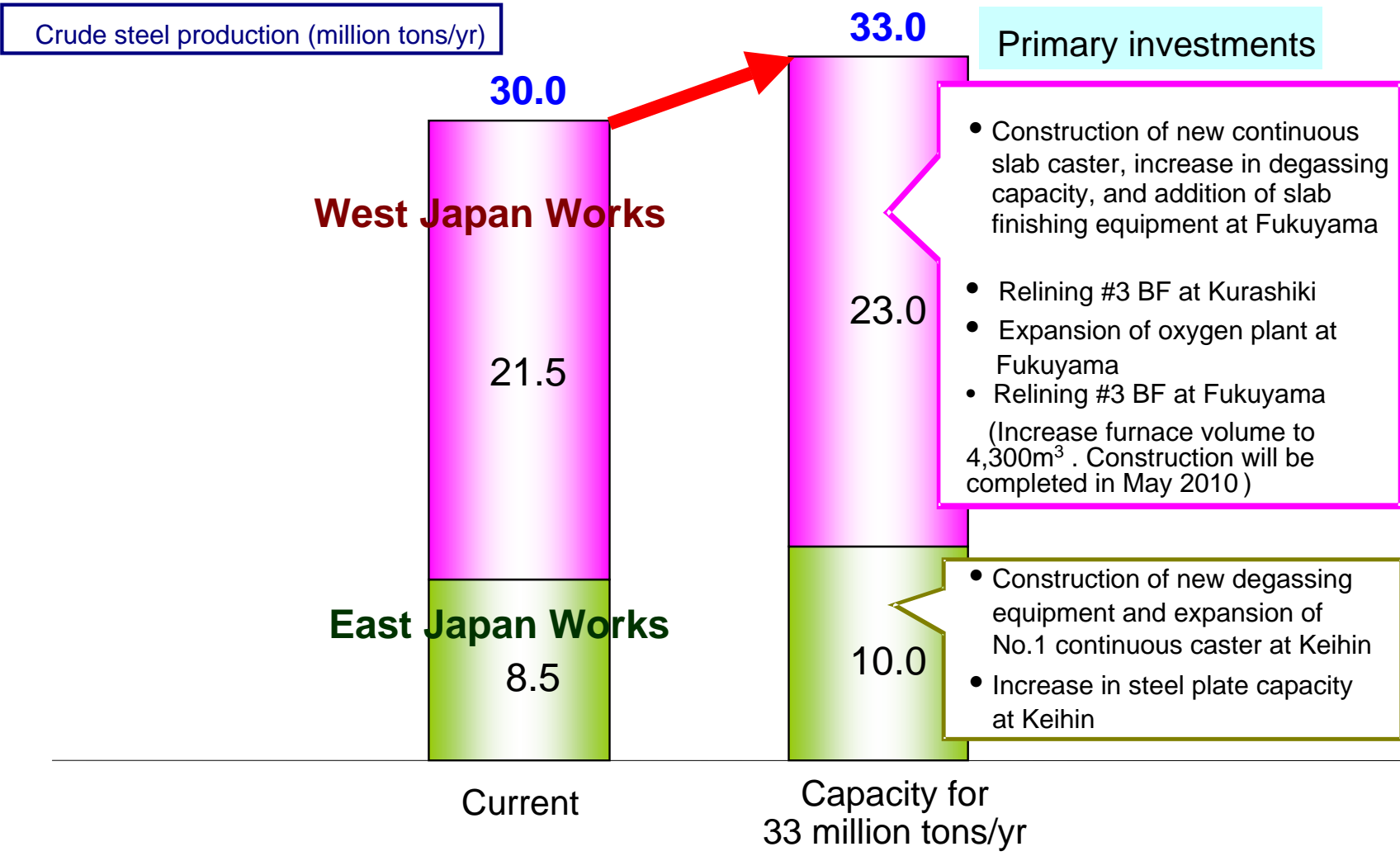


Crude Steel Production (Consolidated)	30	33	34	29	28	32
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JFE

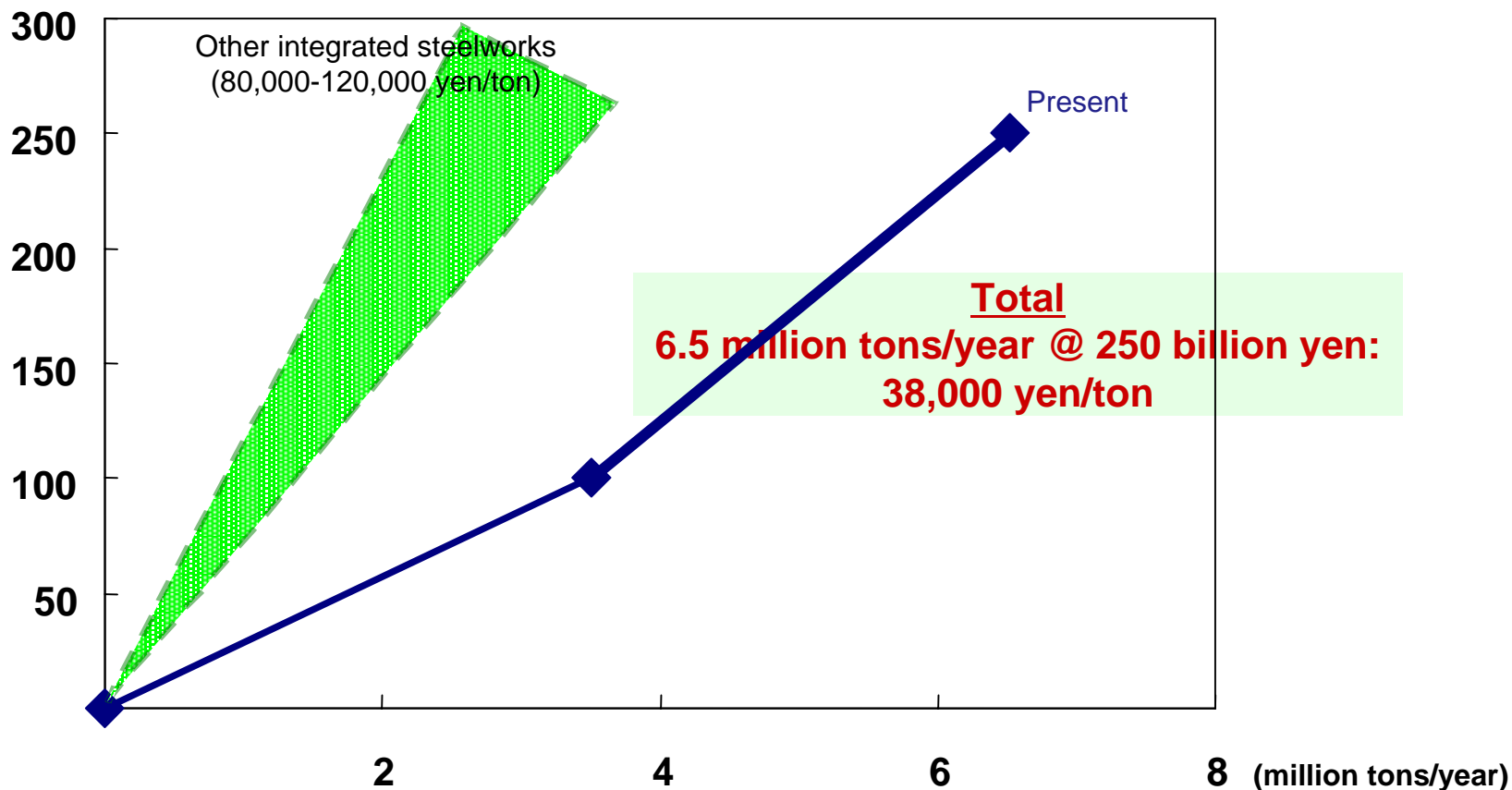
Reference: Expand Capacity by Reducing Bottlenecks



Reference: Efficient Expansion of Capacity

(JFE Steel, non-consolidated basis)

(billion yen) **Total Amount and Cost per Ton of Increased Crude Steel production Capacity**

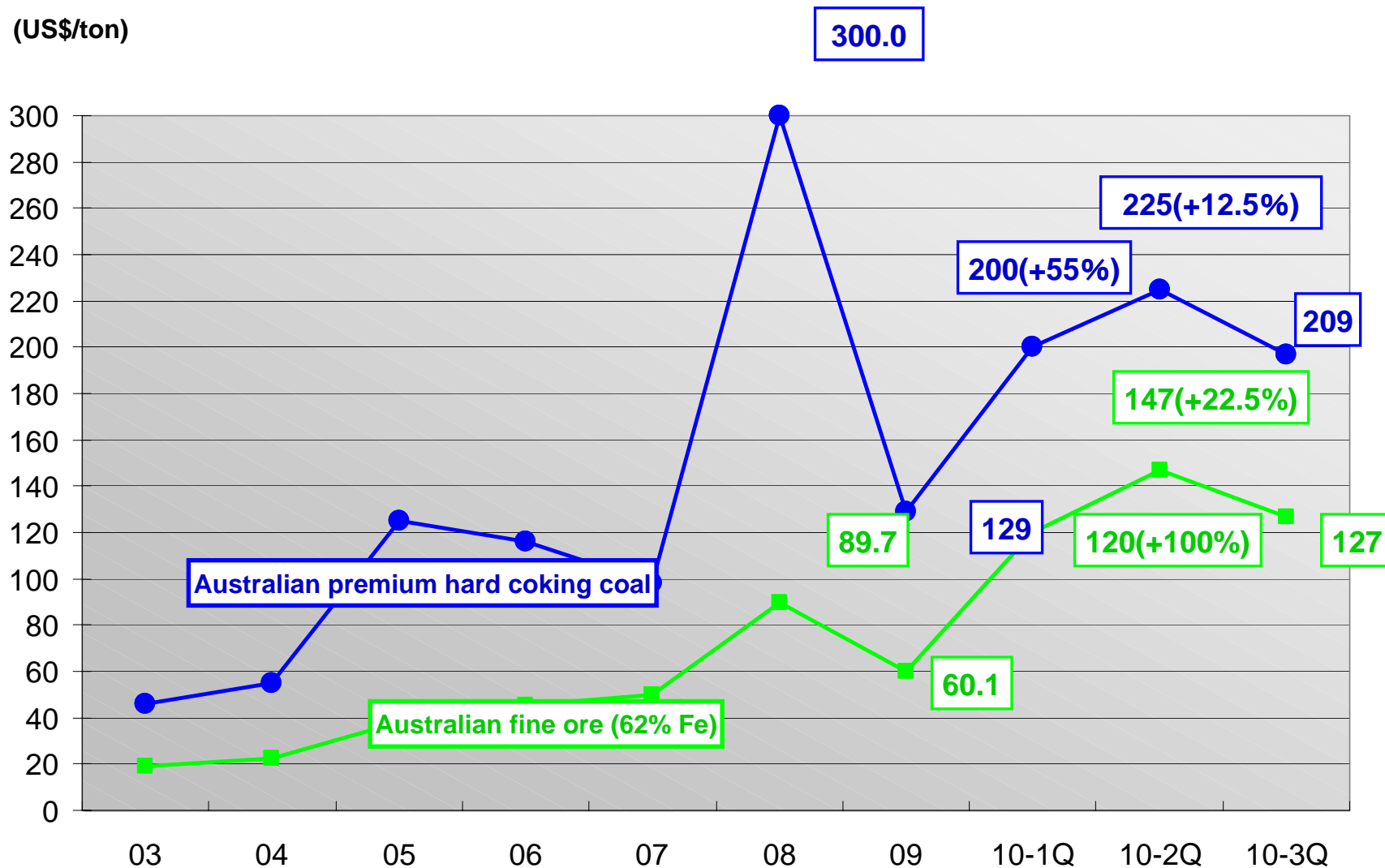


JFE has achieved highly efficient capacity expansion, averaging 38,000 yen/ton of new crude steel capacity since 2003.

(4) Price Trends of Raw Materials

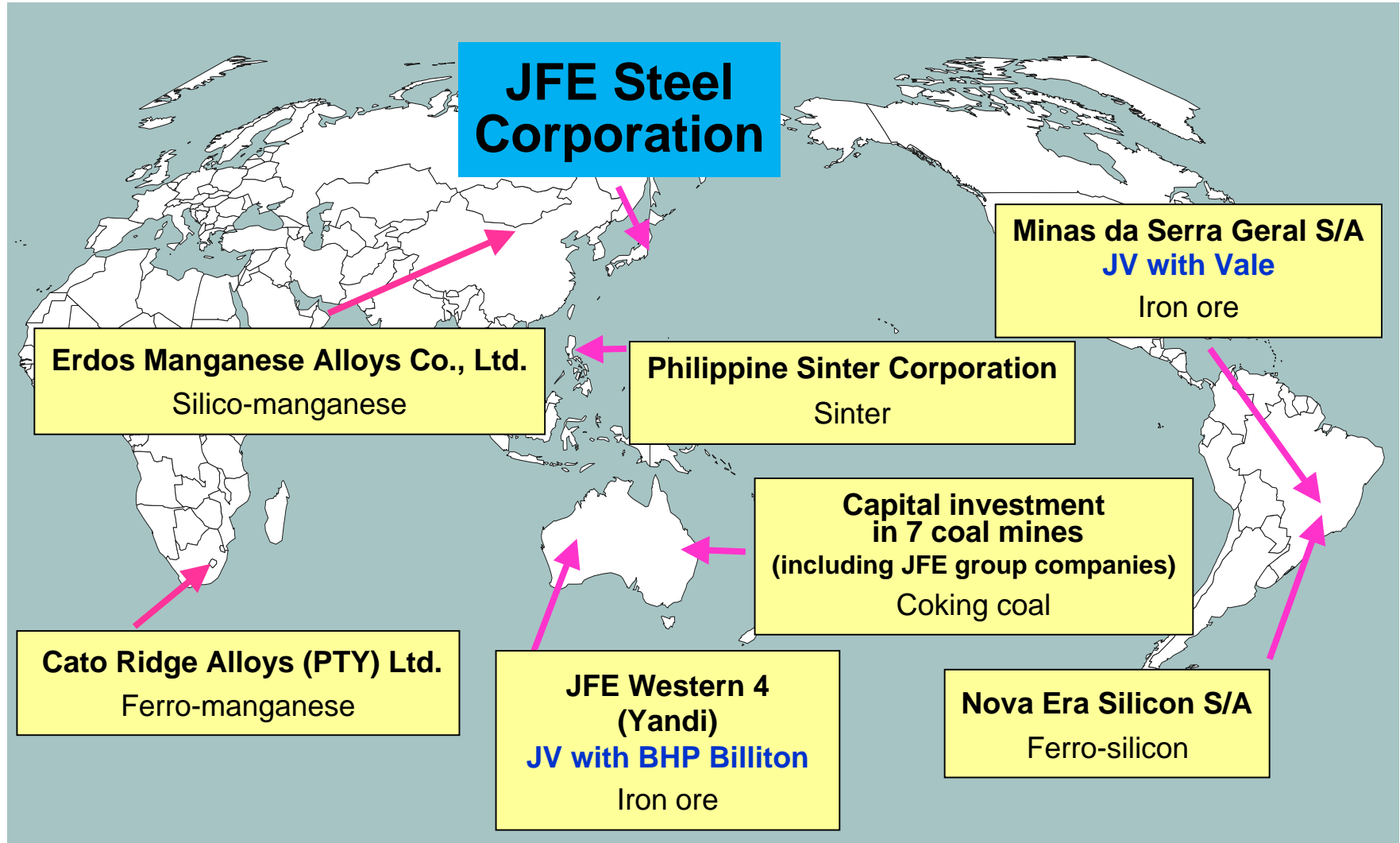


(US\$/ton)



(5) More Self Sufficiency for Raw Materials

Mining Interests & Operations Overseas





Acquisition of Interests by JFE Group

Announced on Oct. 20, 2010

Overview of the Mines to be acquired by JFE Tradings

	Baralaba Mine	Wonbindi Project
Location	Queensland, Australia	
Share of JFE	37.5%	20%
Mining Method	Open Cut	
Coal Types	Low Volatile PCI, Thermal Coal	
Production Volume	750kt/annum (Current capacity)	2.0-3.5Mt/annum (Planned to commence production from 2014)
Port of Export	Port of Gladstone	Wiggins Island (due to commence operation from 2014)

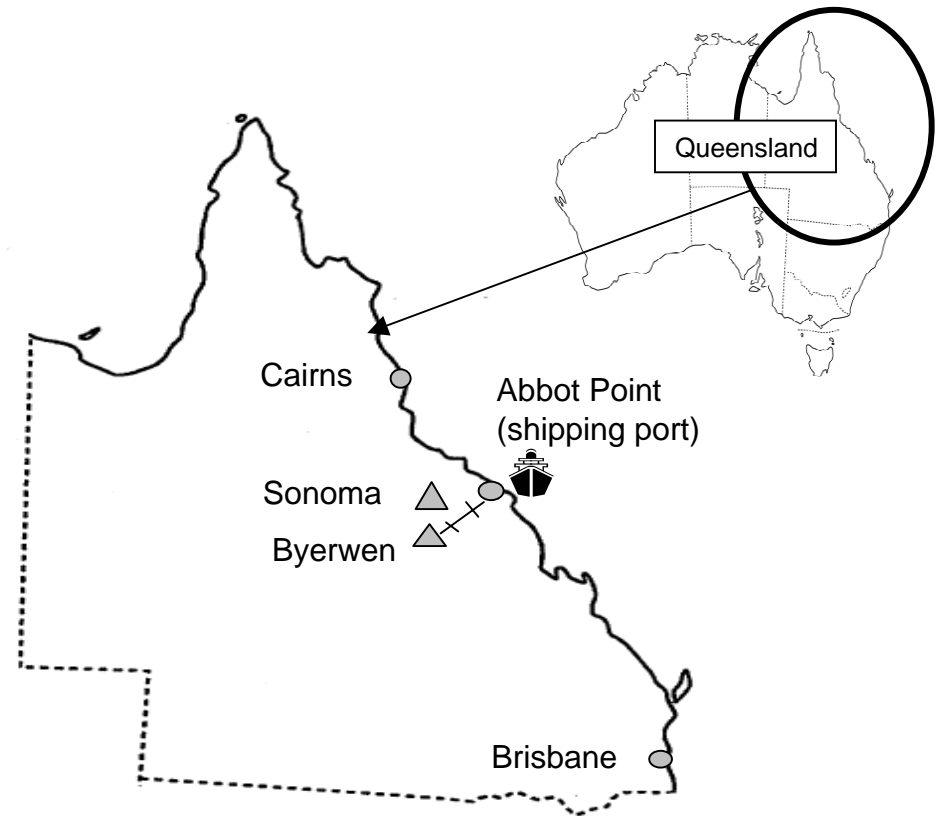
Increase the percentage of our own raw materials from current 15% to 18%. (Our goal: 30% in some two years)



Acquisition of Interest in Byerwen Project

- JFE Steel acquired a 20% interest in QCoal Pty Ltd's new Byerwen Coal project in Dec. 2009. Project will produce 10 million tons of hard coking coal per annum.
- JFE Steel signed a 10-year off-take contract for the annual delivery of 2 million tons of premium hard coking coal.

- JFE Steel's self-sufficiency ratio of coal resources rose to 15%, highest among major steelmakers, and eventually will rise to almost 30%.
- Acquisition gives JFE Steel a secure, stable supply of premium hard coking coal over the long term.
- Also will earn a dividend and will substantially lower costs.
- Utilizes Abbot Point Port, which offers abundant capacity.
- Will help to stabilize the world's coking coal market.

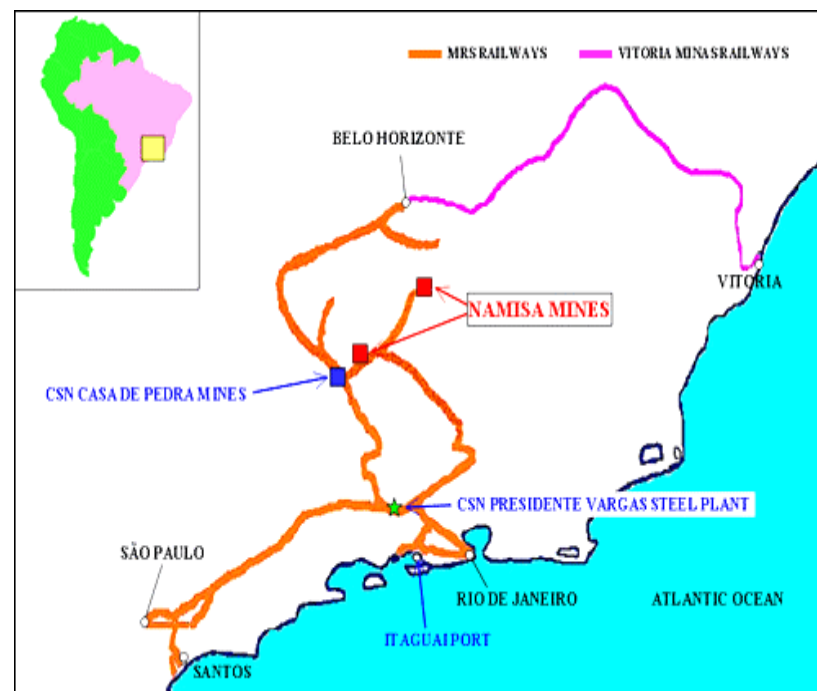




Latest Developments: NAMISA Project in Brazil

- Investment: December 2008
- Owners: CSN & Japan–Korea consortium
- Projected sales: 38 MT/year in FY2013

Self-sufficiency ratio of 15% (Iron Ore)
TOP-Ranked among competitors

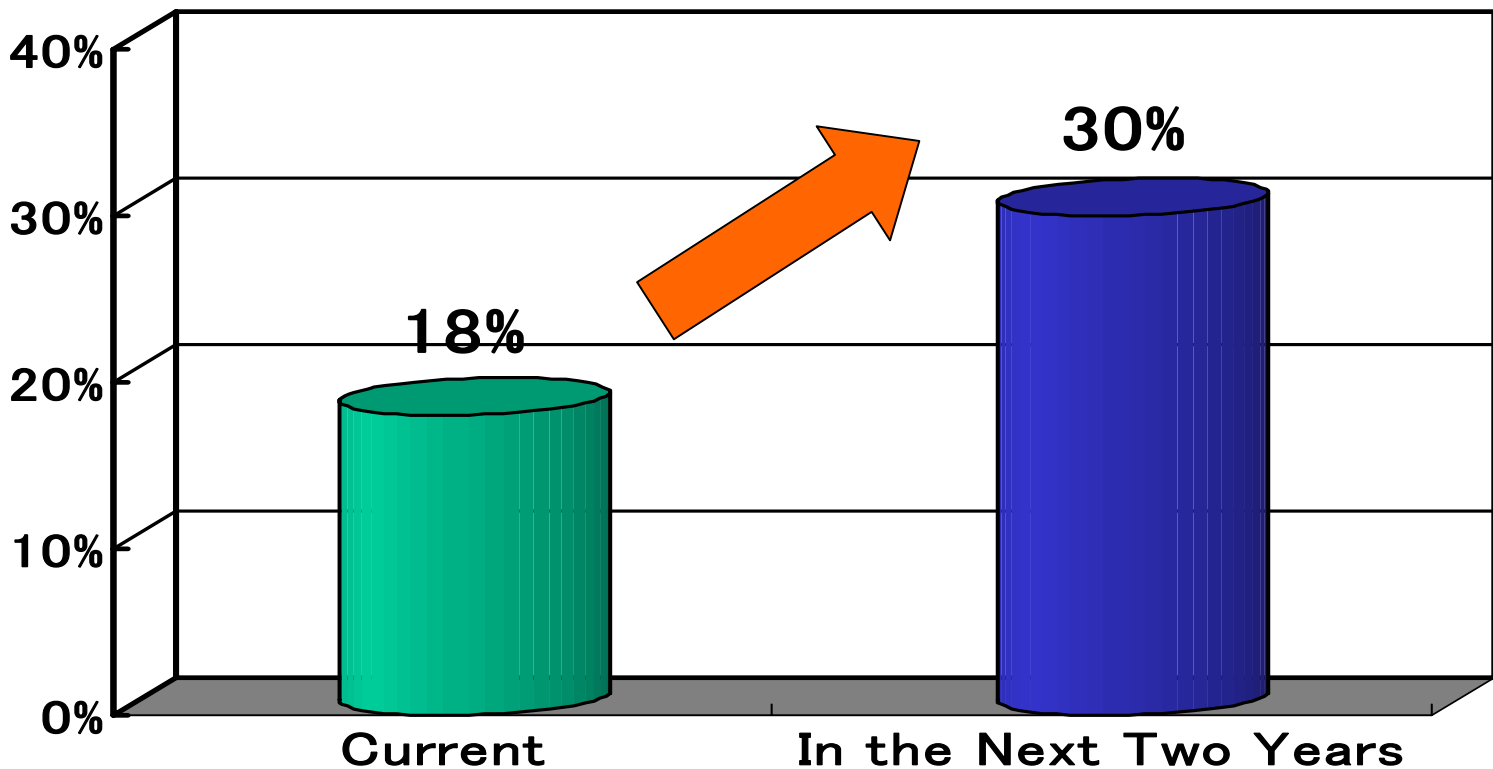




Increasing Self-Sufficiency Ratio

JFE

- A steady, secure supply of raw materials is a source of competitive strength.
- Consequently, JFE Steel acquires resource rights where there is a clear economic rationale for doing so.
- Aim at increasing the self-sufficiency ratio from 18% to 30% in some two years.





JFE

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