



***Morgan Stanley MUFG for the Teleconference,
28th July 2010***

JFE Group

Capturing Growth Opportunities in Greater East Asian Market

JFE Holdings, Inc.
July 2010

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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 First Quarter ending March 31, 2011

(billion yen)

	FY2009 Apr-Jun	FY2010 Apr-Jun	Change
Net Sales	589	755	166
Ordinary Profit	-61	53	115
Other loss	-6	-2	4
Ordinary Profit	-67	51	119
Extraordinary loss	0	-5	-5
Income before income taxes and minority interests(loss)	-67	46	113
tax expense and minority Interest	26	-18	-44
Net Income(loss)	-42	28	69

Financial Results for the First Quarter ending March 31, 2011
Sales/Recurring Profit by Business Segment

JFE

(billion yen)

		FY2009 Apr-Jun	FY2010 Apr-Jun	Change
	Steel	476	657	181
	Engineering	51	46	-5
	Shipbuilding	68	53	-16
	Urban Development	5	5	0
	LSI	5	6	1
	Eliminations and Corporate	-17	-13	4
Net Sales		589	755	166
	Steel	-77	46	123
	Engineering	0	-1	-1
	Shipbuilding	7	7	1
	Urban Development	-0	-1	-1
	LSI	-0	0	1
	Eliminations and Corporate	3	-1	-4
Ordinary Income		-67	51	119

2. Financial Forecast for FY10

Financial Forecast for FY10

(billion yen)

		FY09(A)	FY10(e)	Change
		Full Year	Full Year	(Y/Y)
	Steel	2,281	2,960	679
Net Sales		2,844	3,420	576
Operating Income		89	230	141
	Steel	32	200	168
Ordinary Income		69	220	151
Net Income		46	120	74

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

(billion yen)

JFE Steel			Change FY08⇒FY09
	FY09	FY10	
Ordinary Income	32	200	168

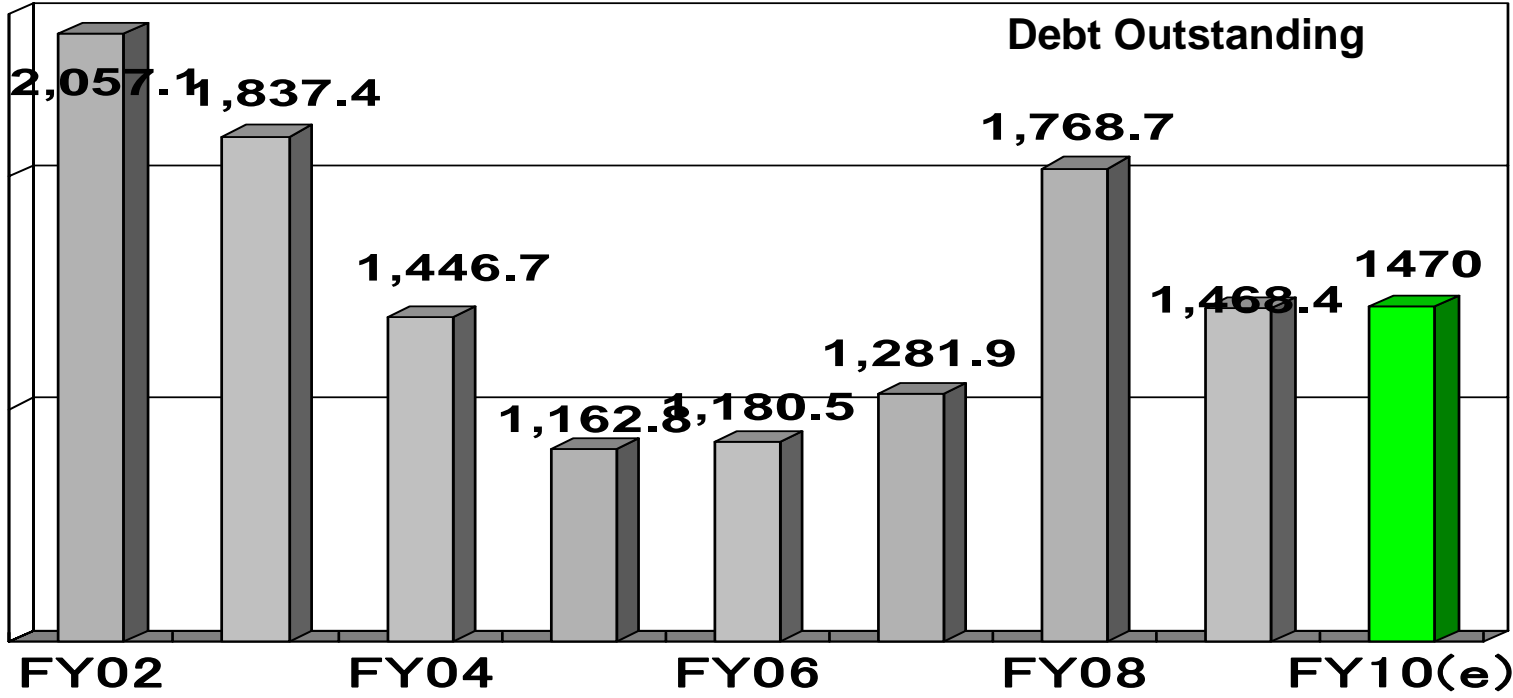
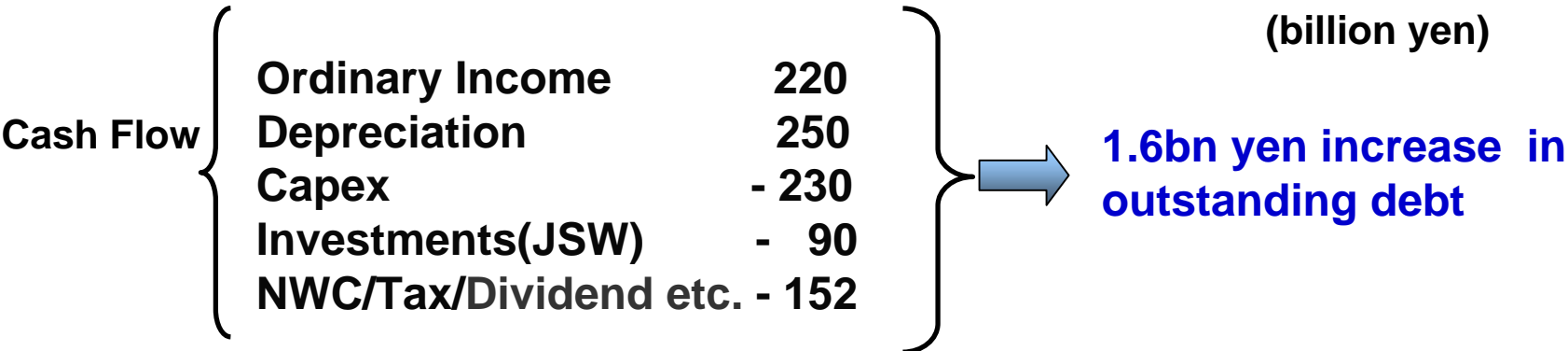
Sales-related	370	Sales price increase, Volume increase
Raw materials	-510	
Cost reduction	40	
Forex*	6	
Inventory valuation	240	Unrealized gains in inventory etc
Others	22	Group companies and #6BF at Chiba Works
TOTAL	168	

* Forex Rate : ¥90.0/US\$ (c.f. FY09 avg.: ¥93/US\$)



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C/F & Debt Outstanding for the FY10

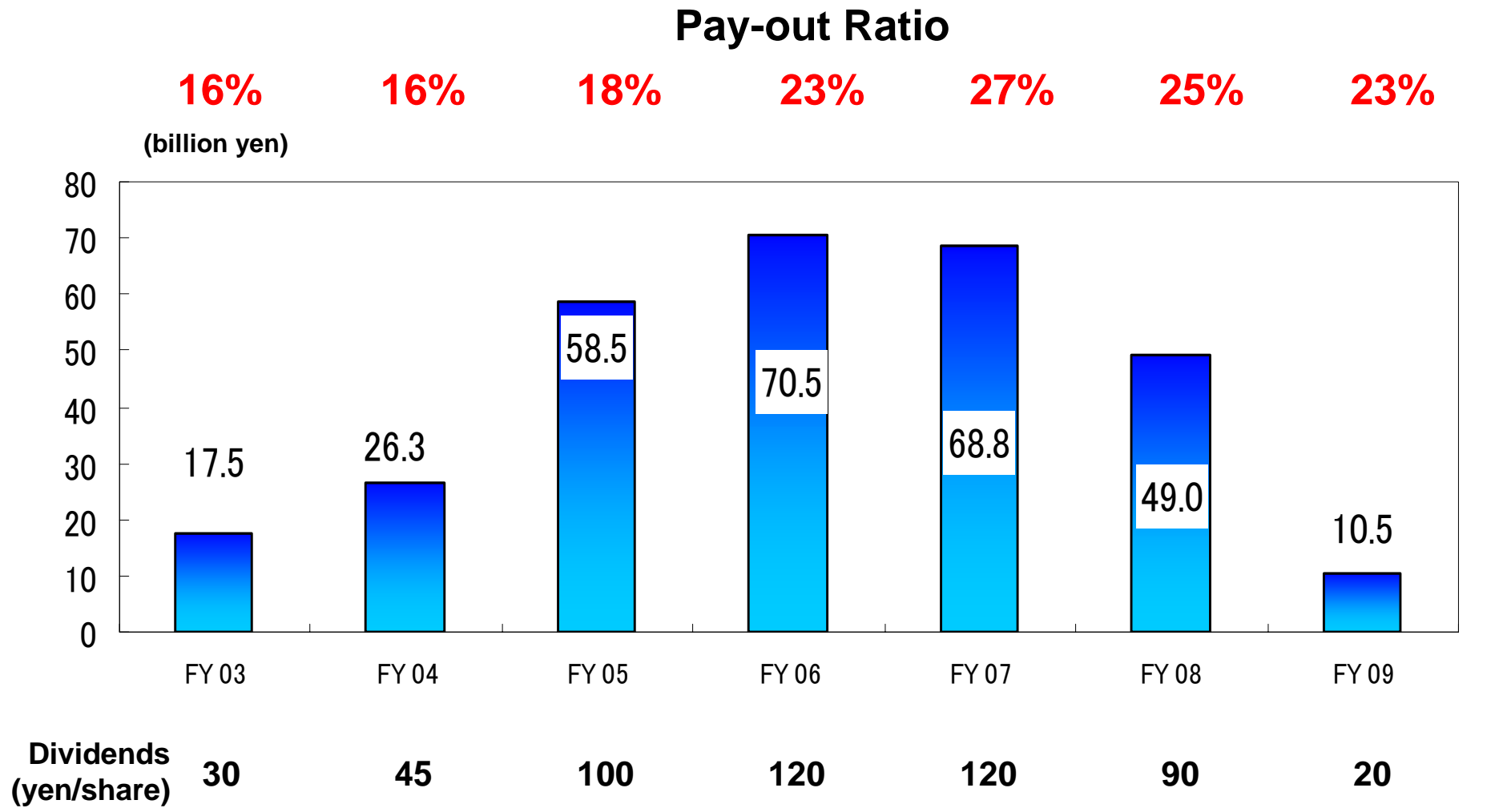




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Proactive Return to Shareholders

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



3. Interim Dividend

Interim Dividend

- The company intends to propose payment of an interim dividend of 20 yen per share for the current fiscal year.
(Pay-out Ratio=21%)
- Payment of an year-end dividend is not determined at this time.

4. Capturing Growth Opportunities in Greater East Asian Market

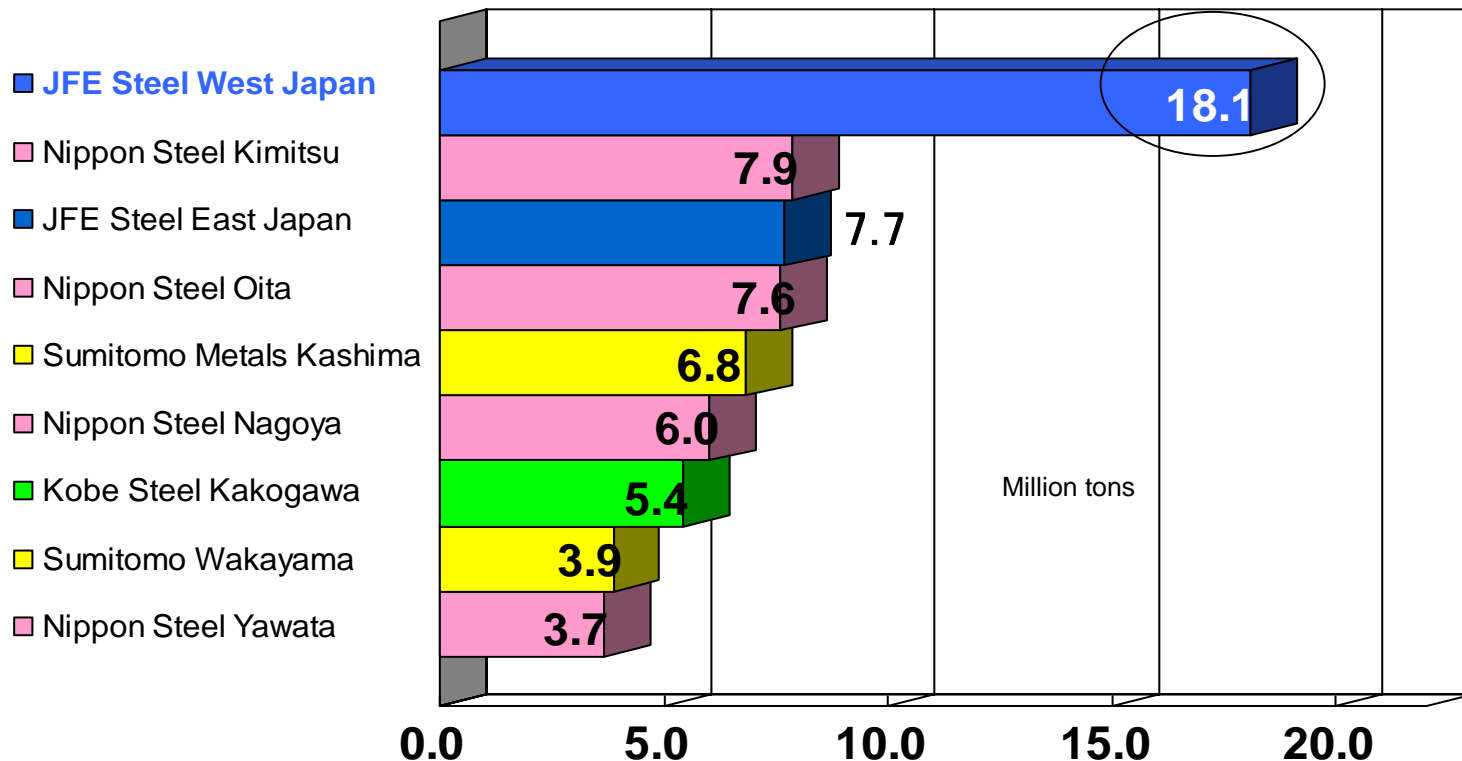
(1) Advantages of JFE Steel

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

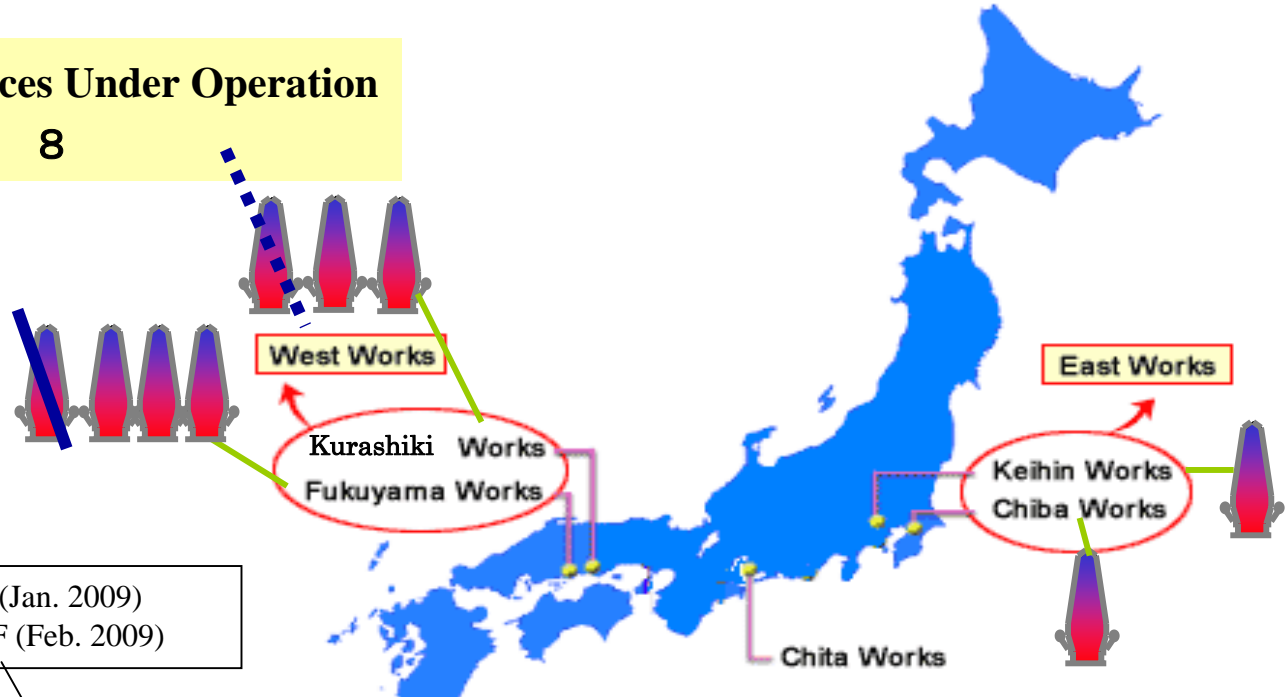


Advantages of JFE Steel (2): Flexible Production System

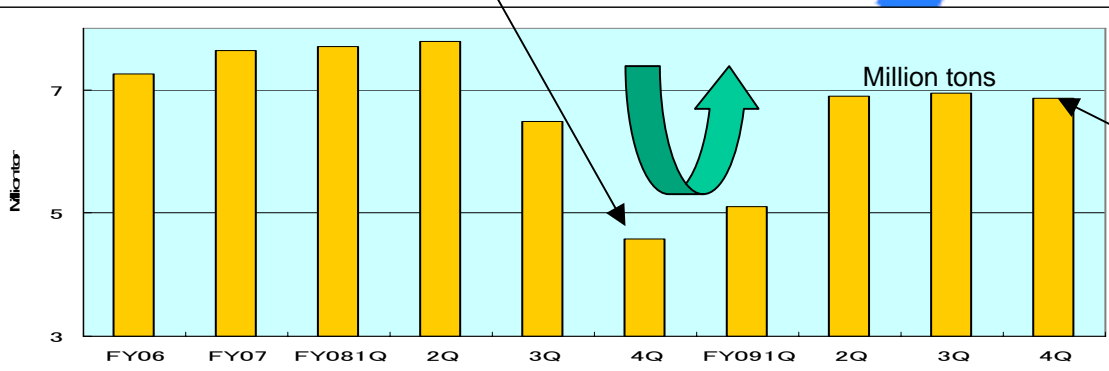
Accurately adjusted production to demand (blast furnace)

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)

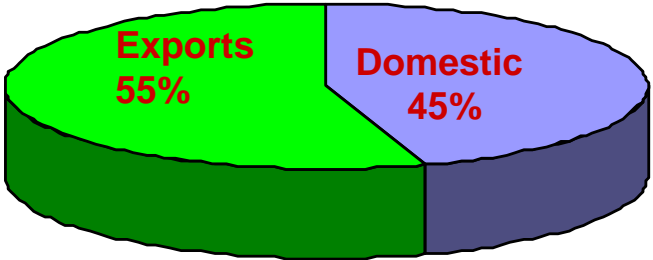


Re-lined and Restart No.3 BF at Kurashiki
(Feb. 2010)

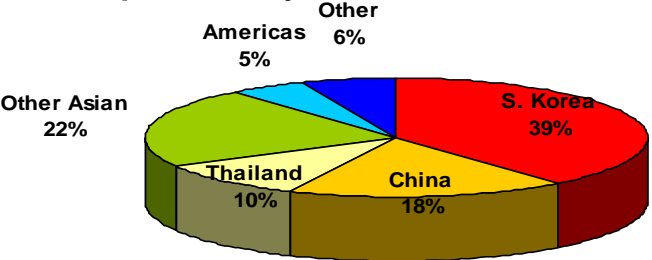


Advantages of JFE Steel (3): Stable Customer Bases both Domestic and Asia

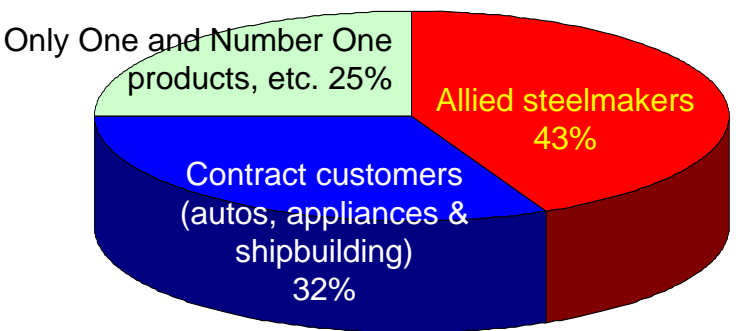
FY 09



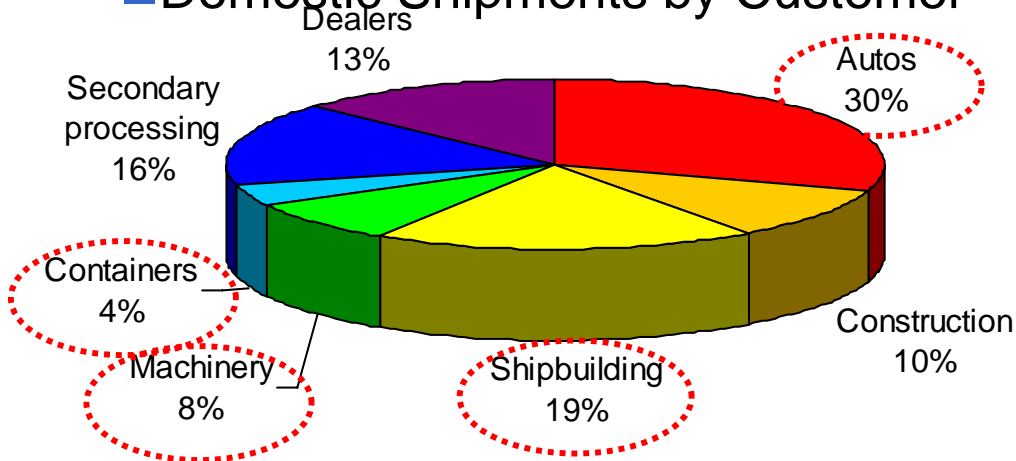
■ Exports by Destination



■ Exports by Customer



■ Domestic Shipments by Customer



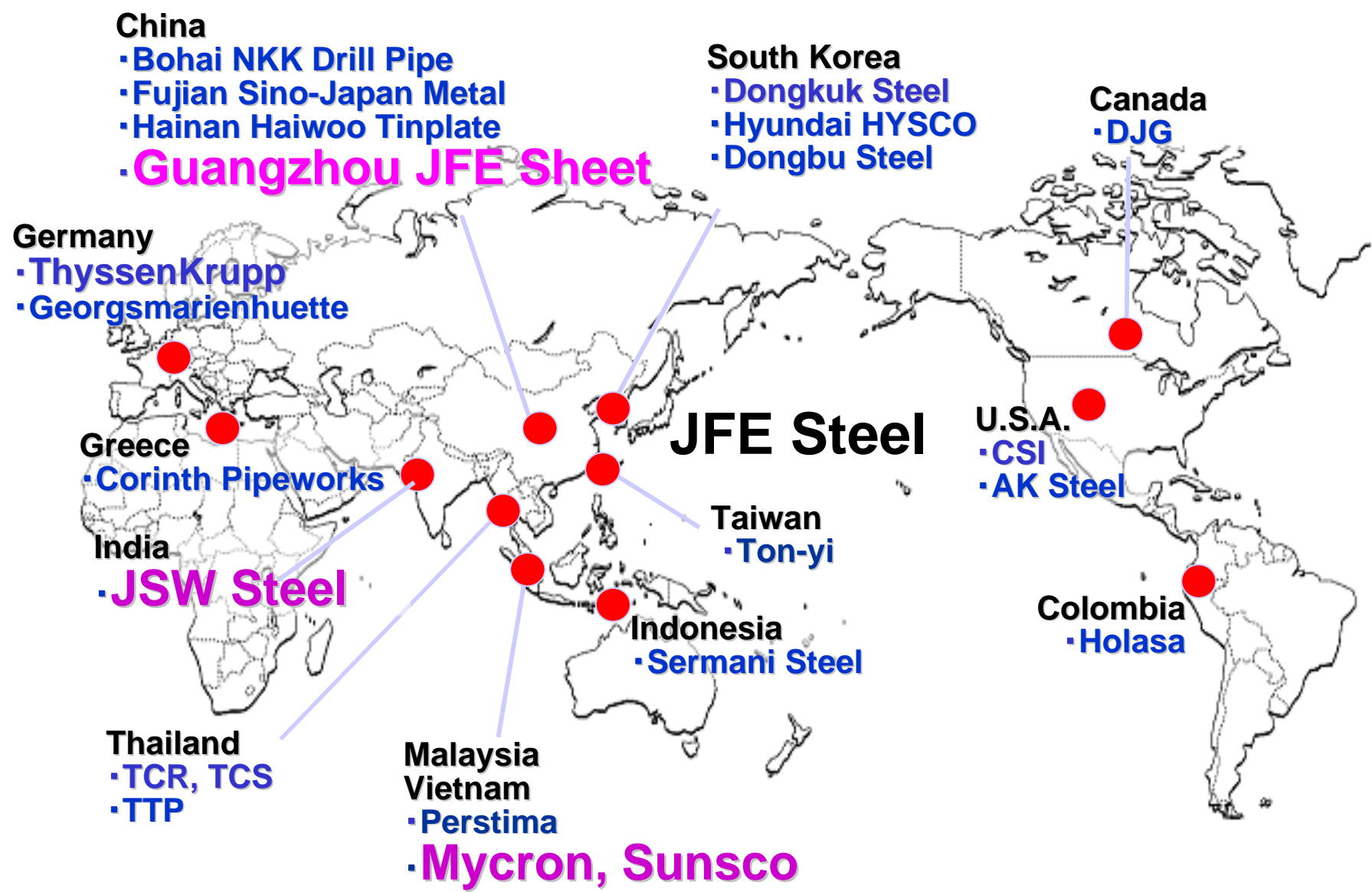
With the customer overseas, price negotiation be done mainly by semi-annual or quarterly basis.

: Prices usually negotiated on annual basis.



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Reference : Alliances with Overseas Steelmakers



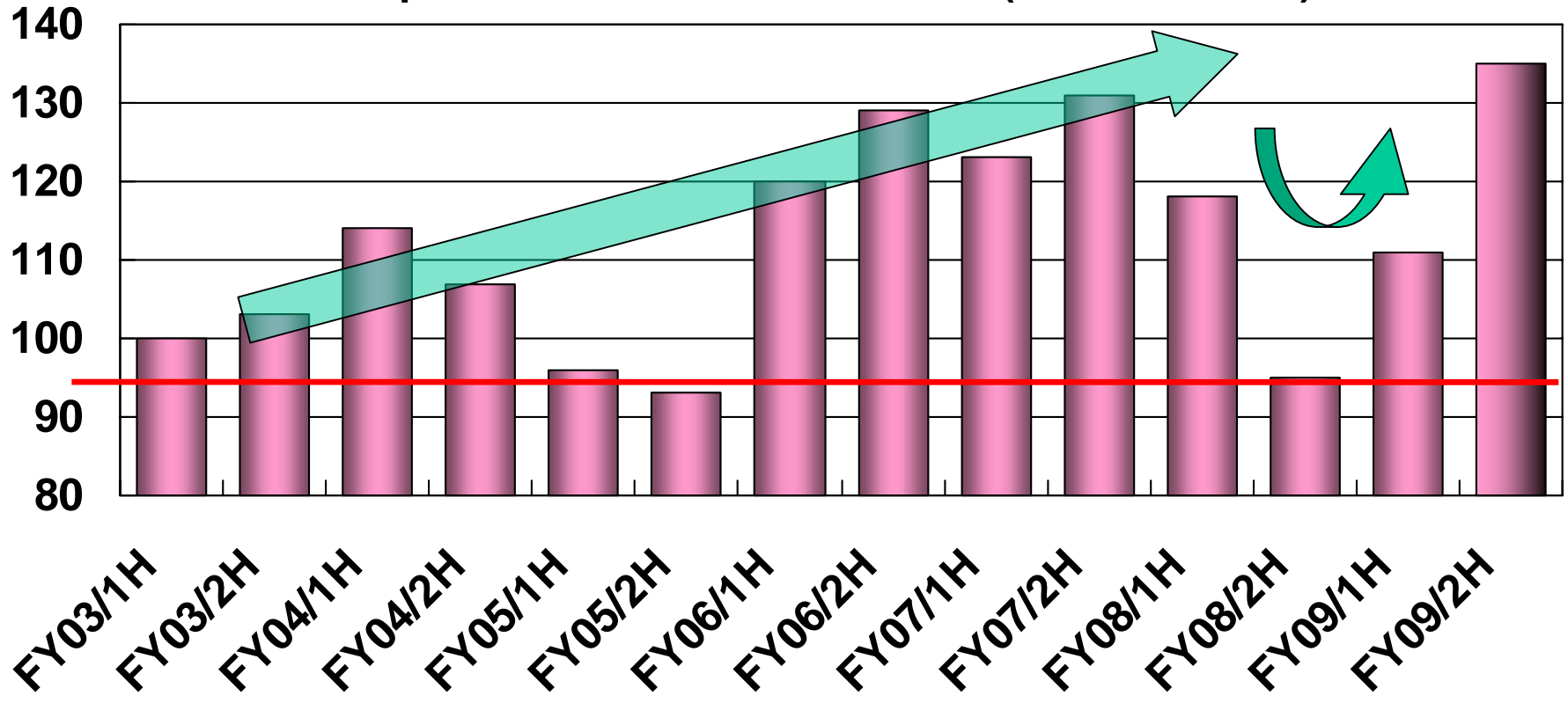


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Reference :
Capturing growing demand for high-end steel in Asian markets.

Shipments to allied steelmakers, following a temporary decrease due to the global economic crisis triggered by the collapse of Lehman in FY2008, grew at solid half-year rates of 10–30% in FY 2009, as the company captured growing demand for high-end steel in Asian markets.

Shipments to Allied Steelmakers (FY03/1H = 100)

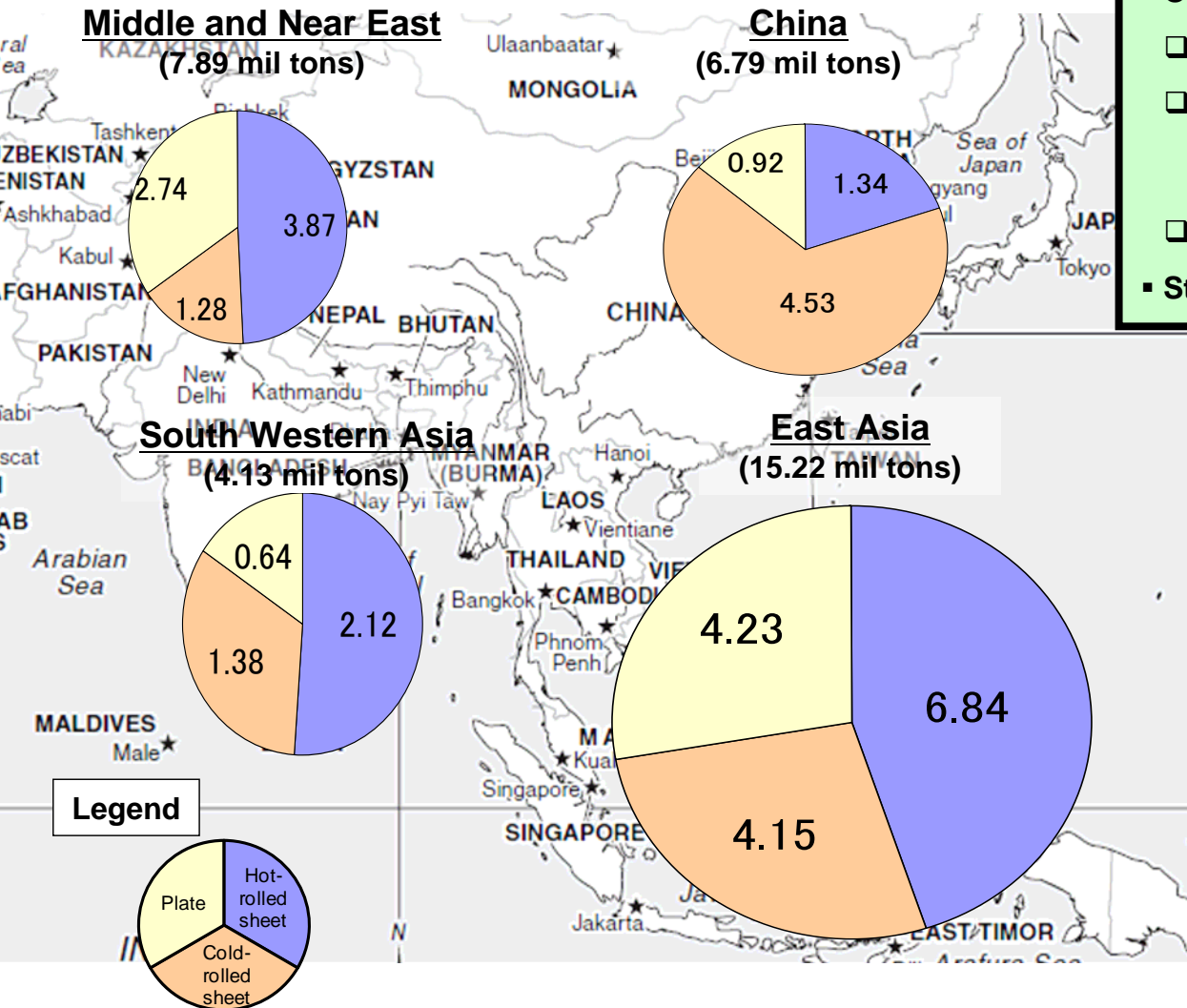


(2) Target Market

Greater East Asia as our “Home Market”

Export Expansion Focusing on Asia

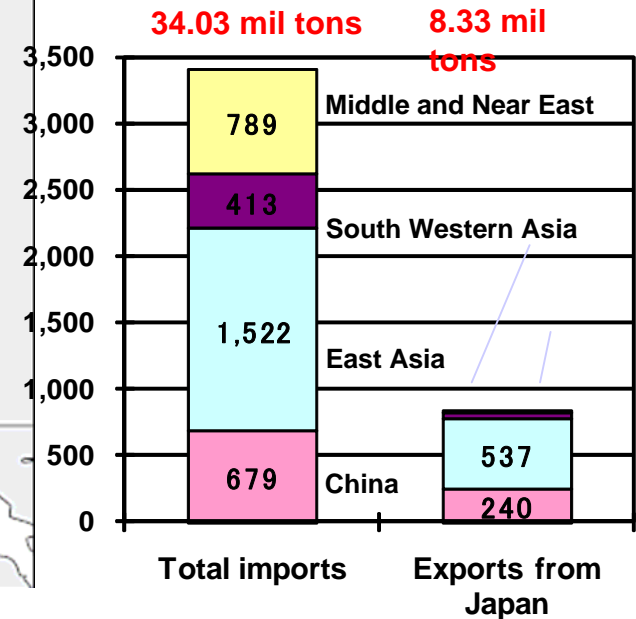
Regional Import Volumes in 2008 (see legend)



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

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- ◆ 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									
Localization	Vertical Alliance (Export of semi-finished goods)	Dongkuk Hyundai Hysco Tongbu	GJSS Tin Plate Mill	TCR TCS	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

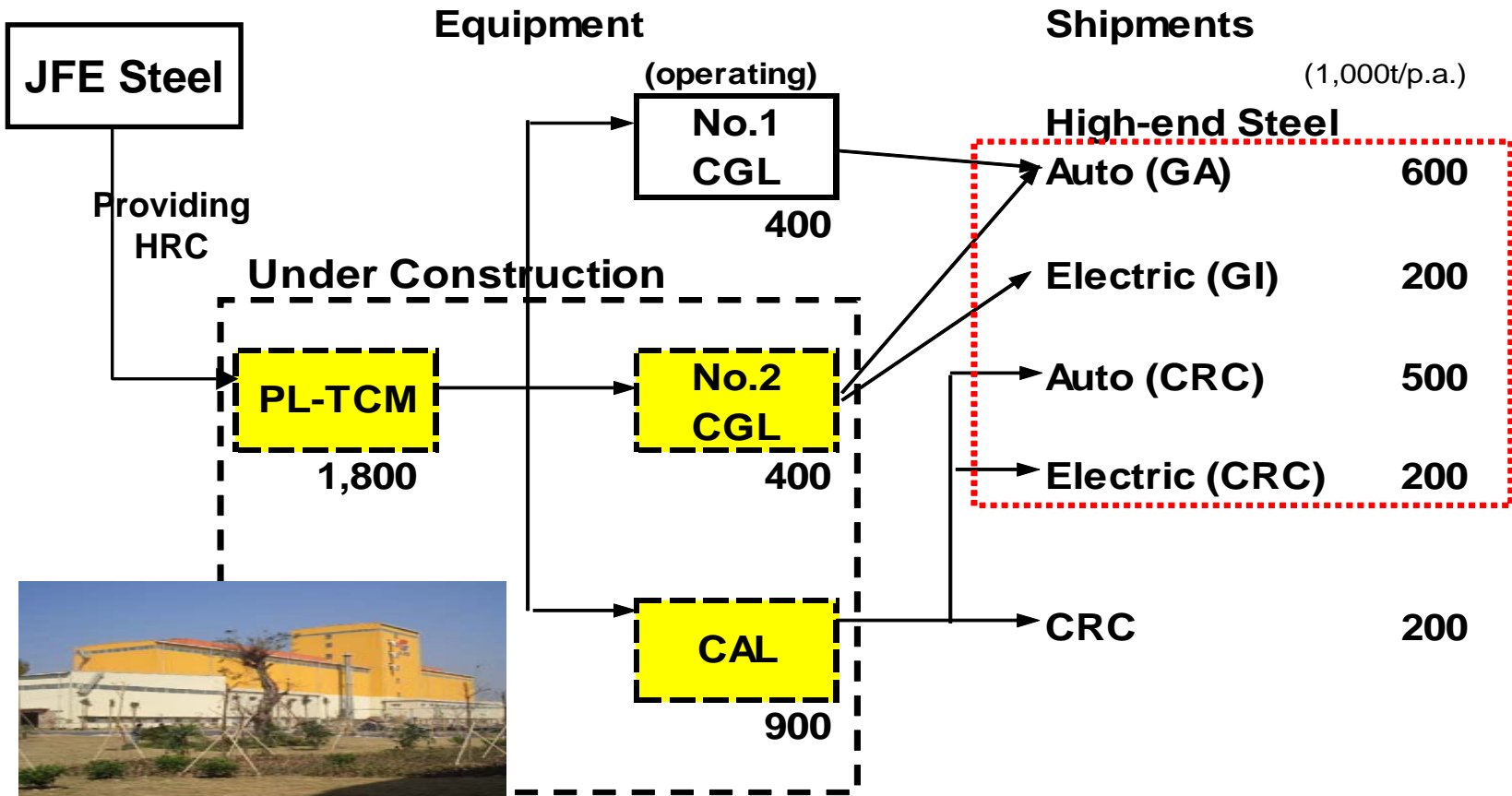


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Expansion of Capacity in Guangzhou, China

Guangzhou JFE Steel Sheet (JFE ownership: 50%)

- Phase 1: Started operating #1 CGL (March 2006)
- Phase 2: Start operating expanded line (mid-2011)





Expansion of Alliances

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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 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.

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

(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:

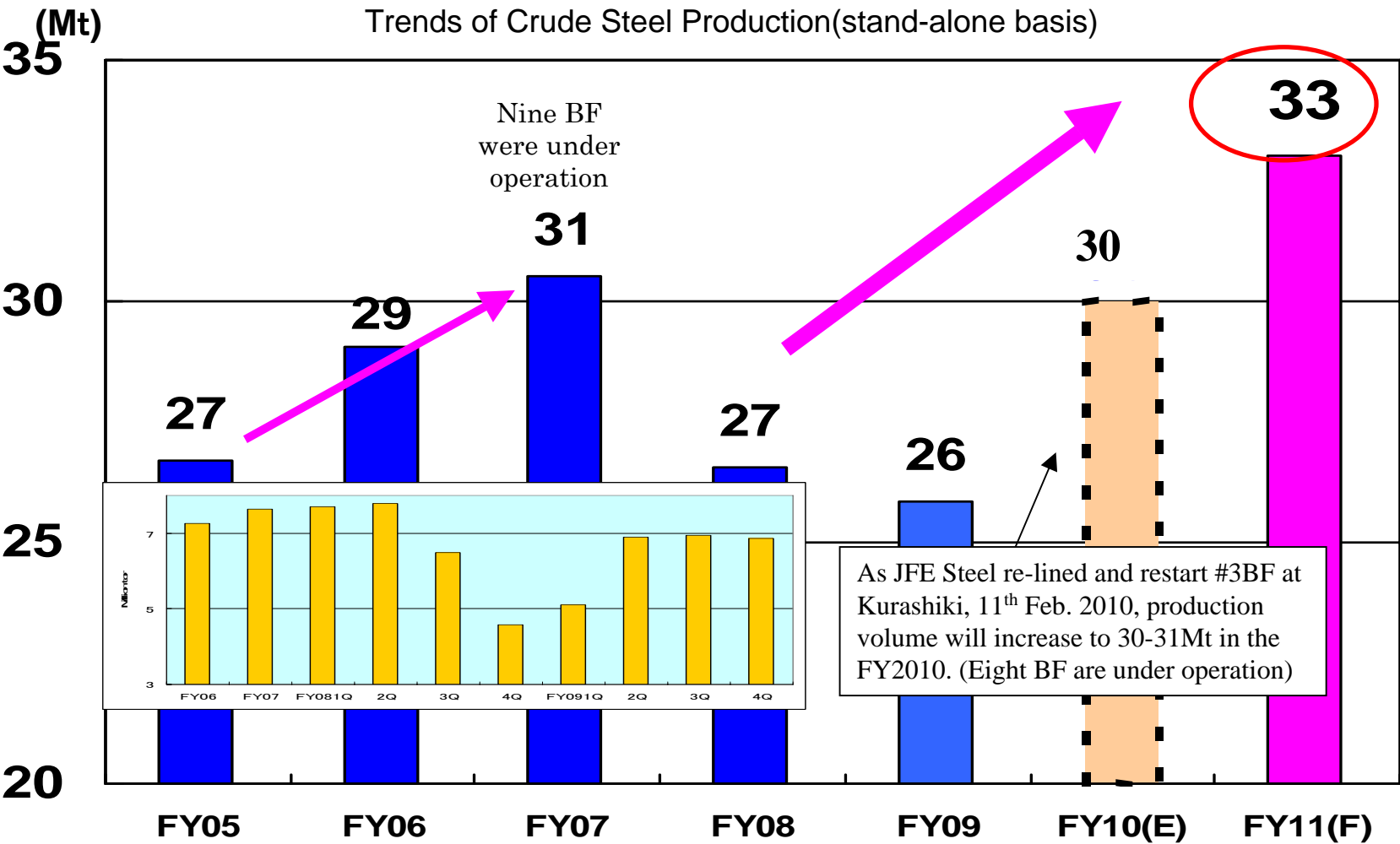
- Production of steel products other than automotive steel.
- Energy reduction programmes ▪ Environmental programmes
- Quality and yield improvement programmes
- Performance audit of JSW facilities
- Benchmarking of techno-economic parameters between the parties
- Procurement of raw materials both in 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



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

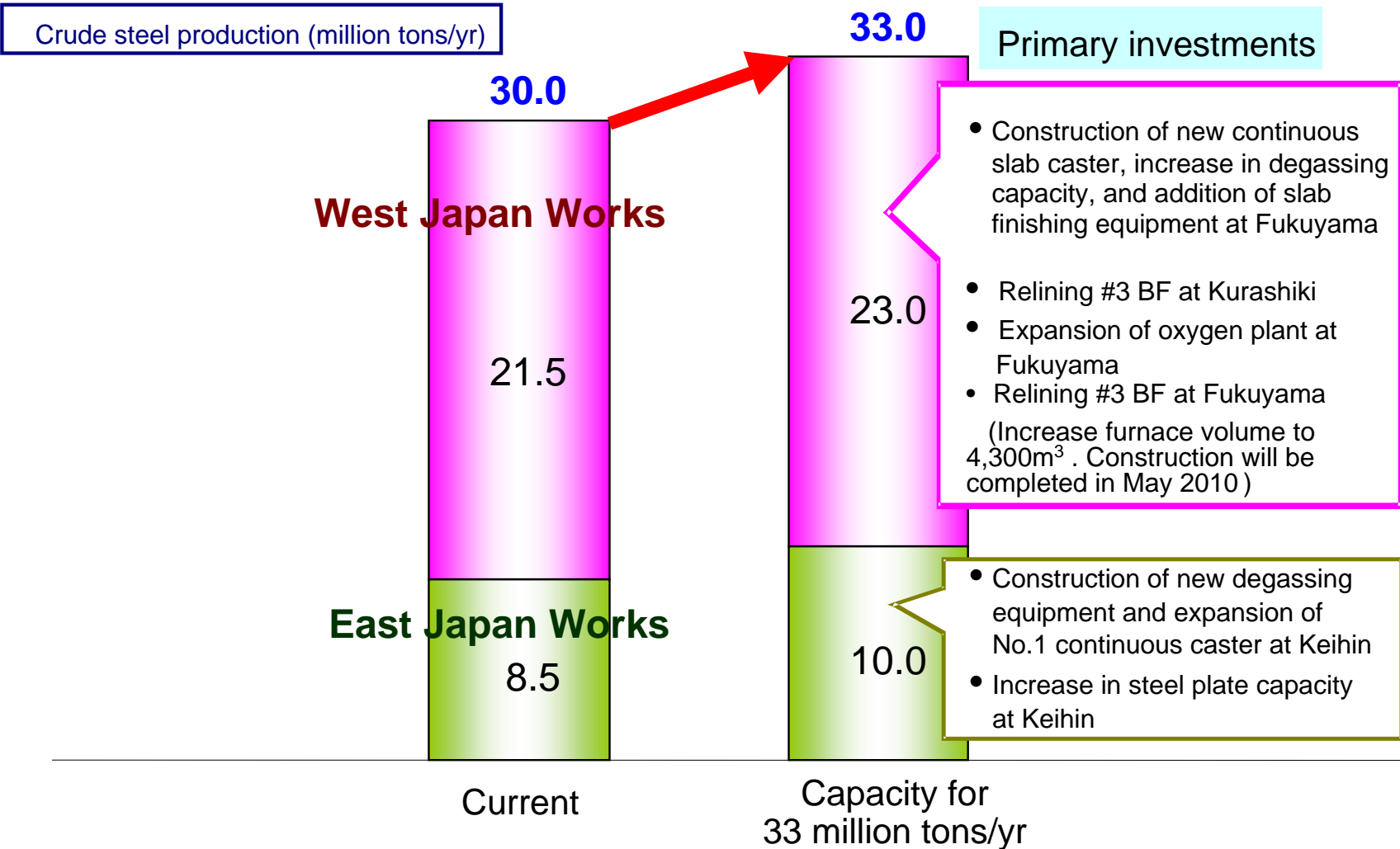


Crude Steel Production (Consolidated)	30	33	34	29	28	33
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Reference: Expand Capacity by Reducing Bottlenecks

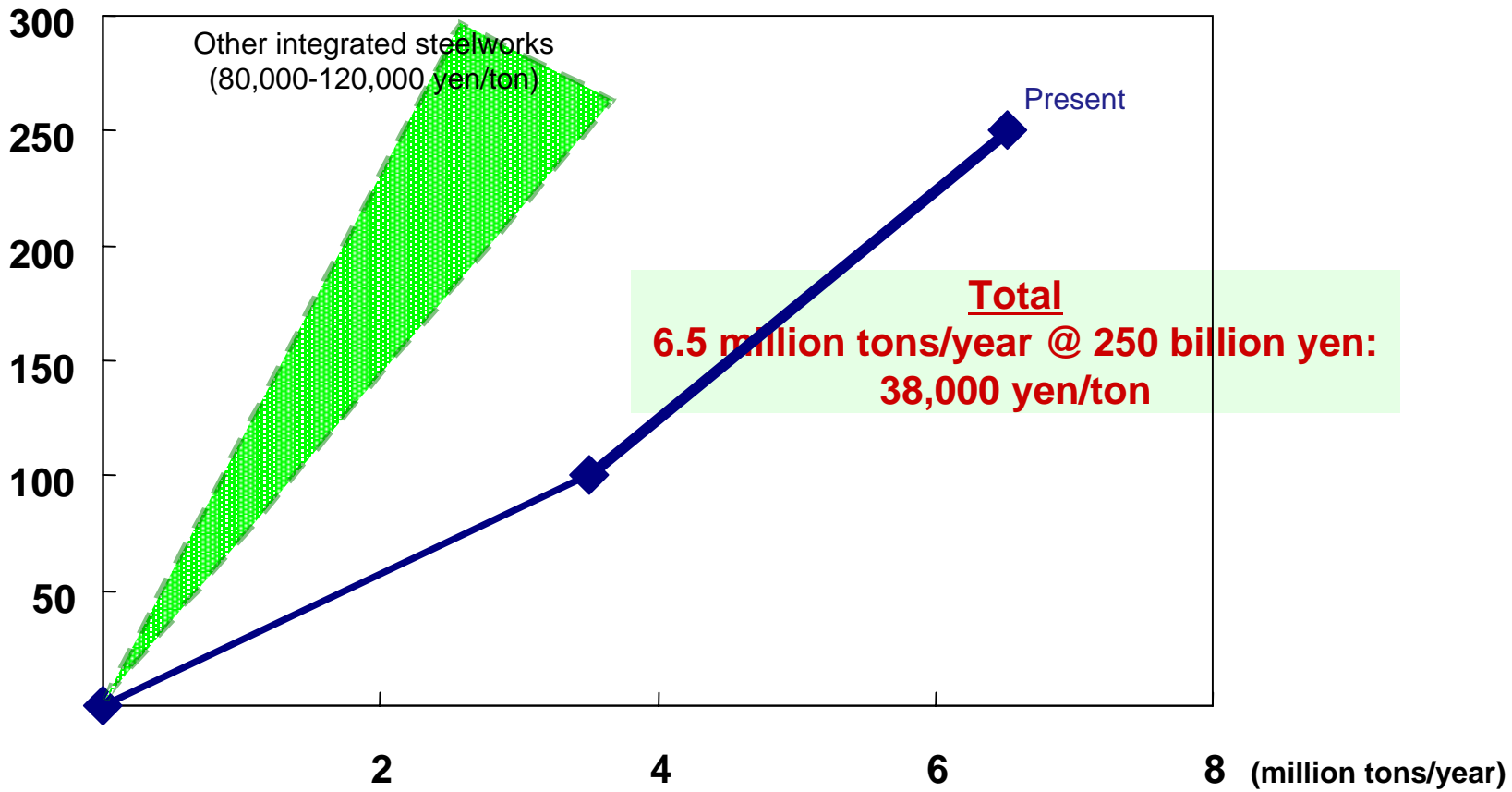




Reference: Efficient Expansion of Capacity

(JFE Steel, non-consolidated basis)

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



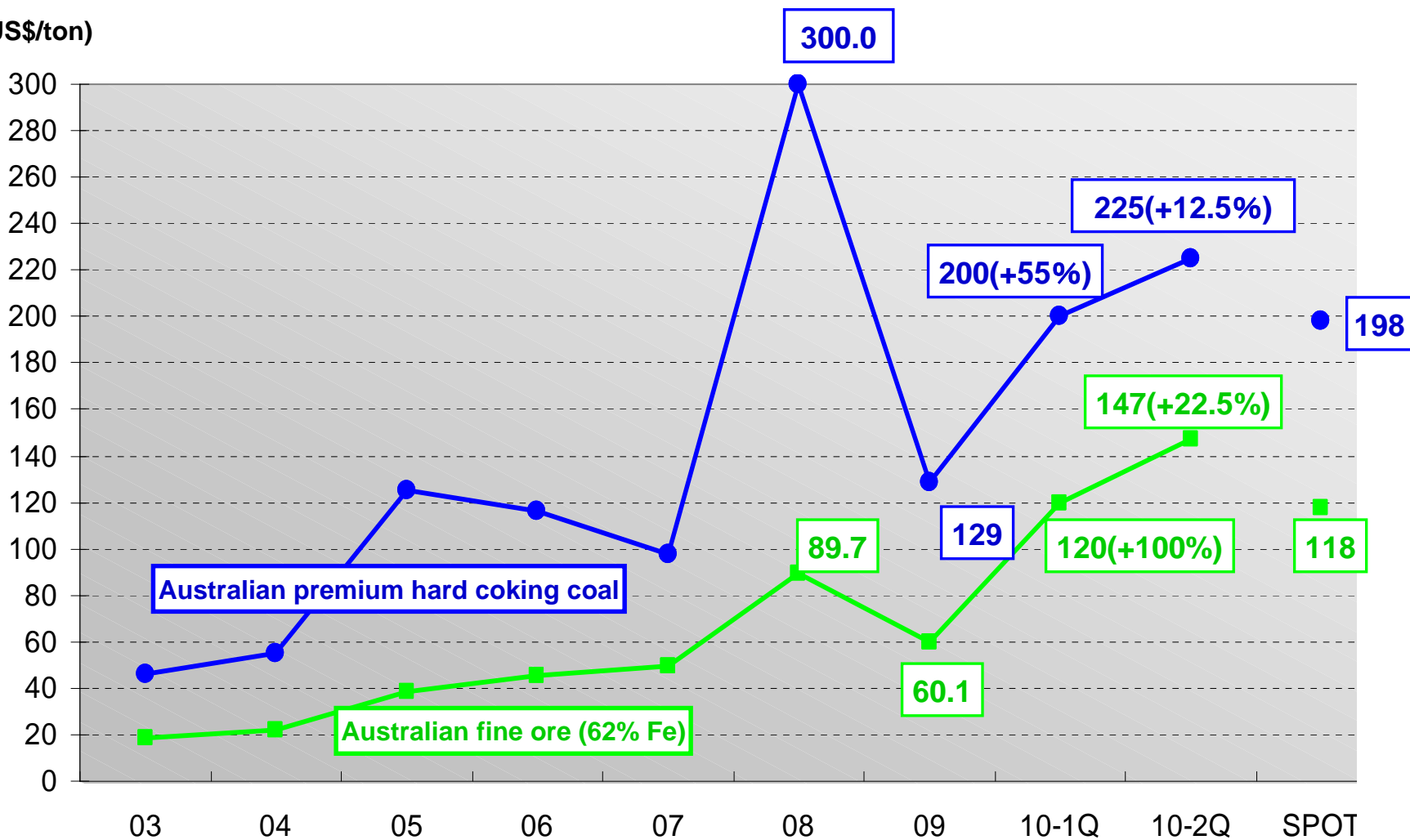
JFE has achieved highly efficient capacity expansion, averaging 38,000 yen/ton of new crude steel capacity since 2003.

(4) Price Trends of Raw Materials



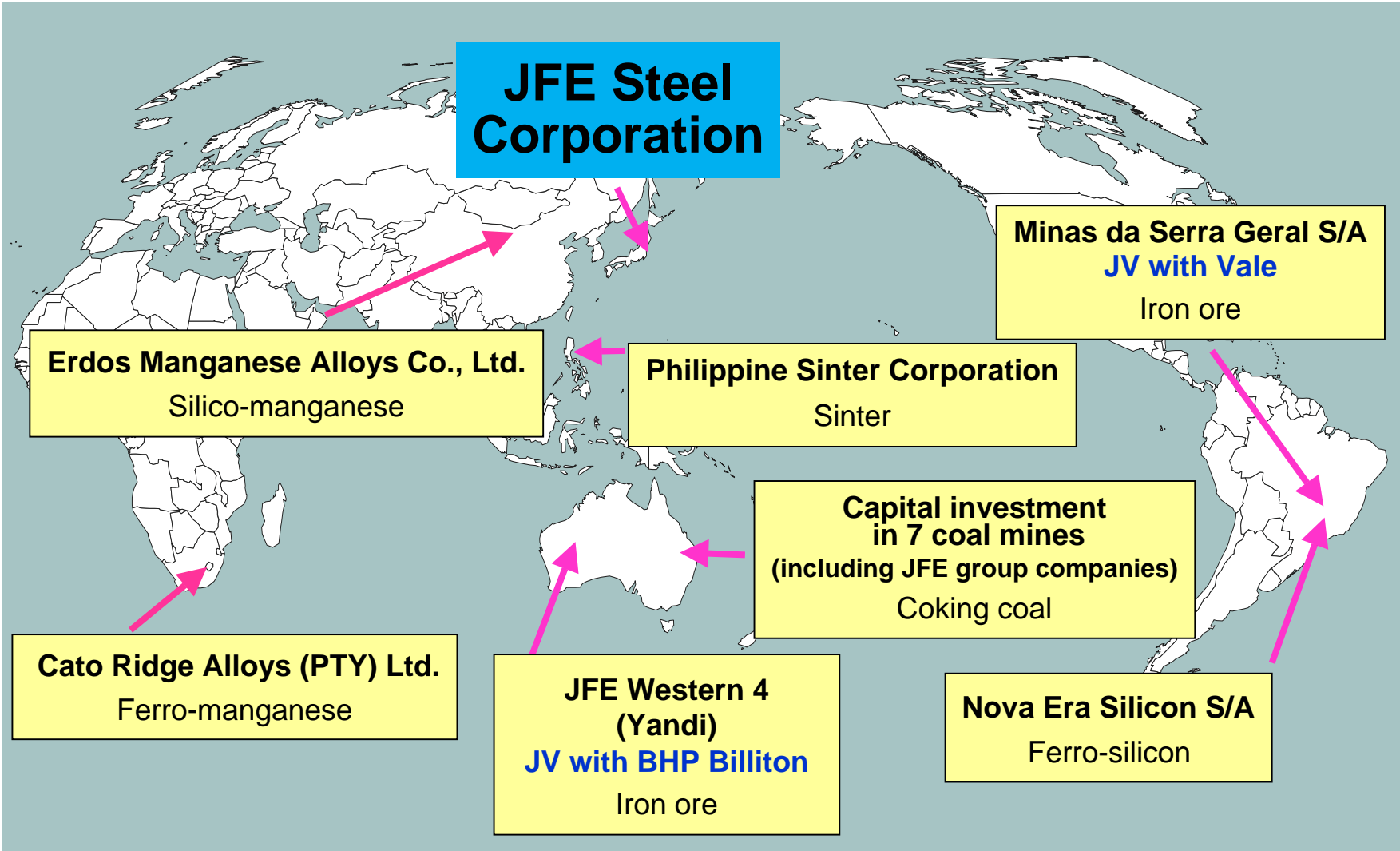
Main Raw Material Prices

(US\$/ton)



(5) More Self Sufficiency for Raw Materials

Mining Interests & Operations Overseas





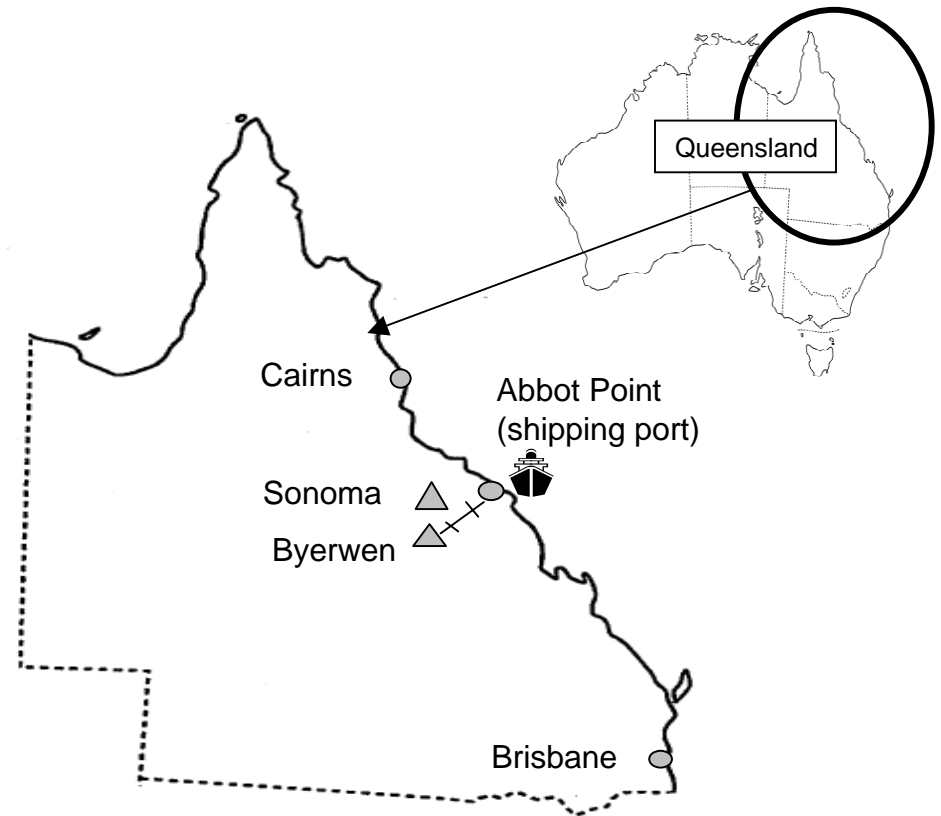
Coal

Latest Developments:

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.

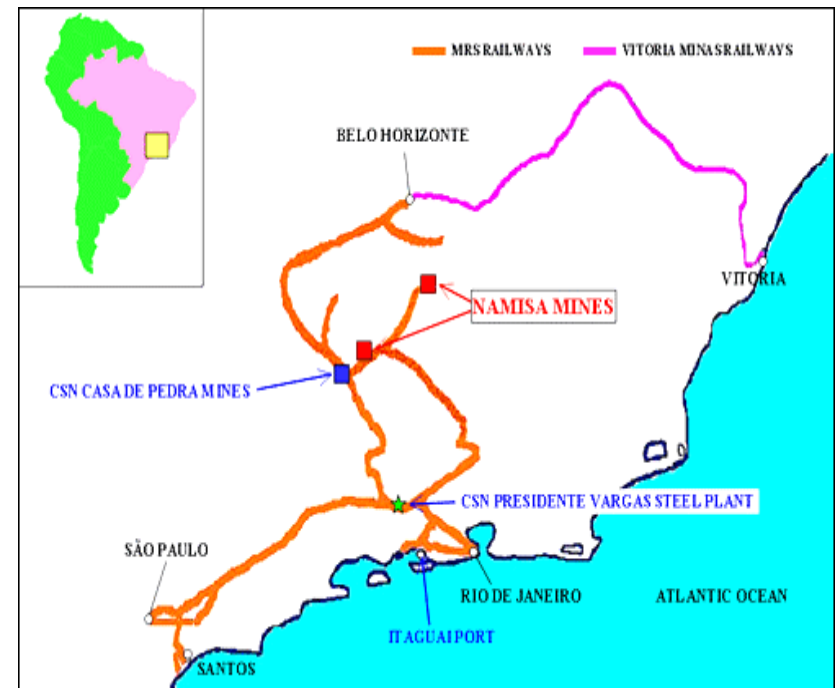




Latest Developments: NAMISA Project in Brazil

- 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

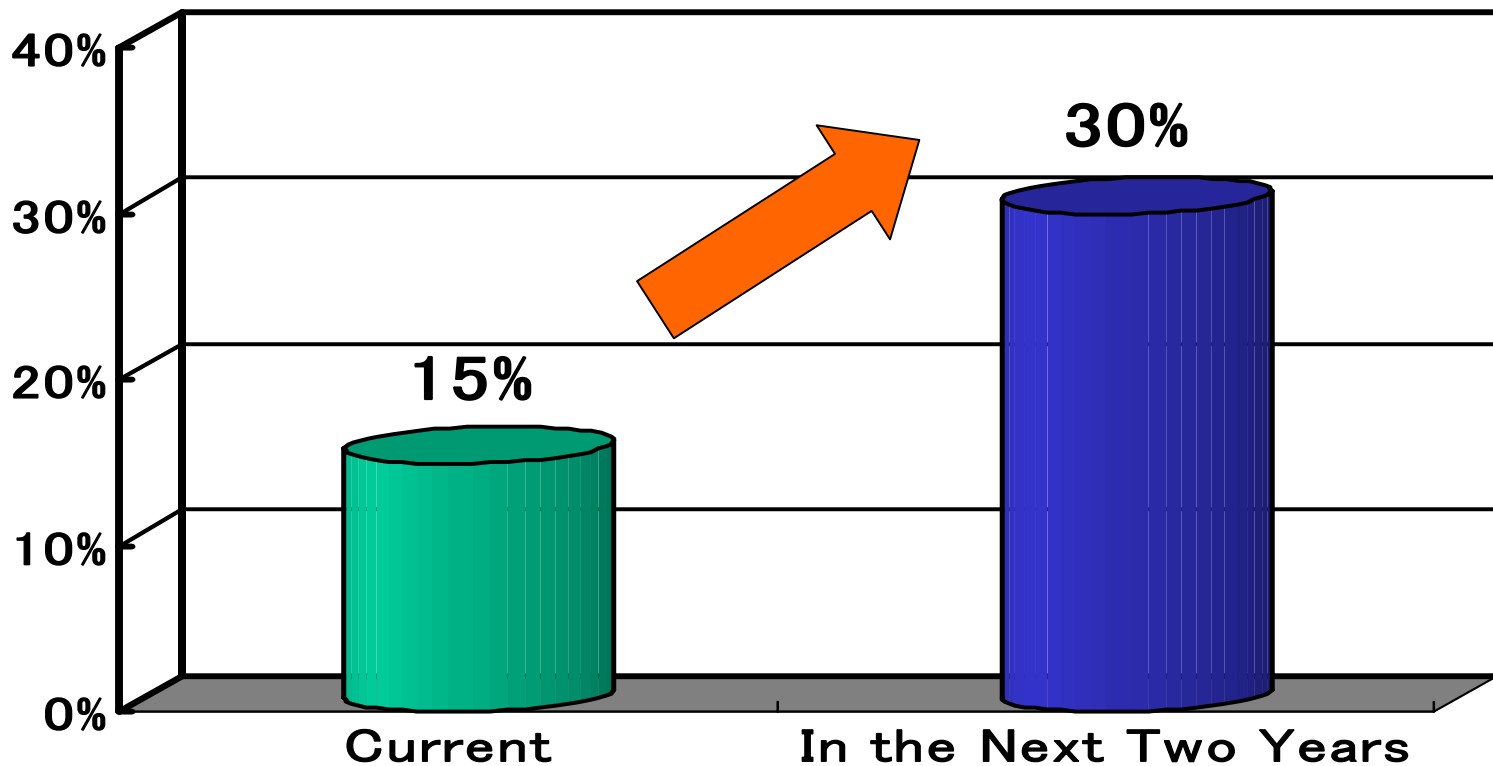




Increasing Self-Sufficiency Ratio

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 15% to 30% in some two years.



5. Appendix

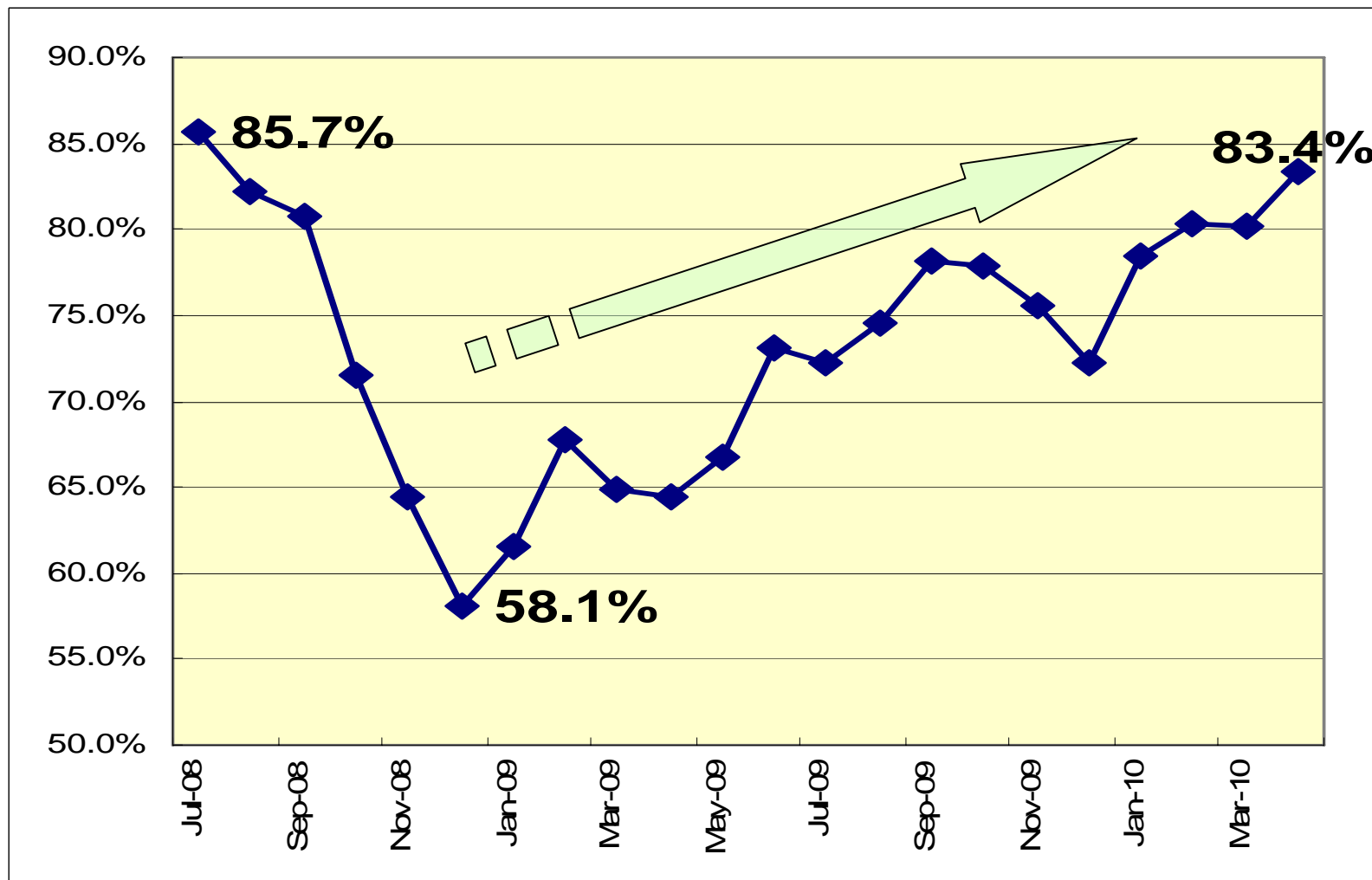
(1) Steel Business Environment



Export

World Steel Capacity Utilization Ratio

...recovering to the robust levels as before the “Lehman Shock”.



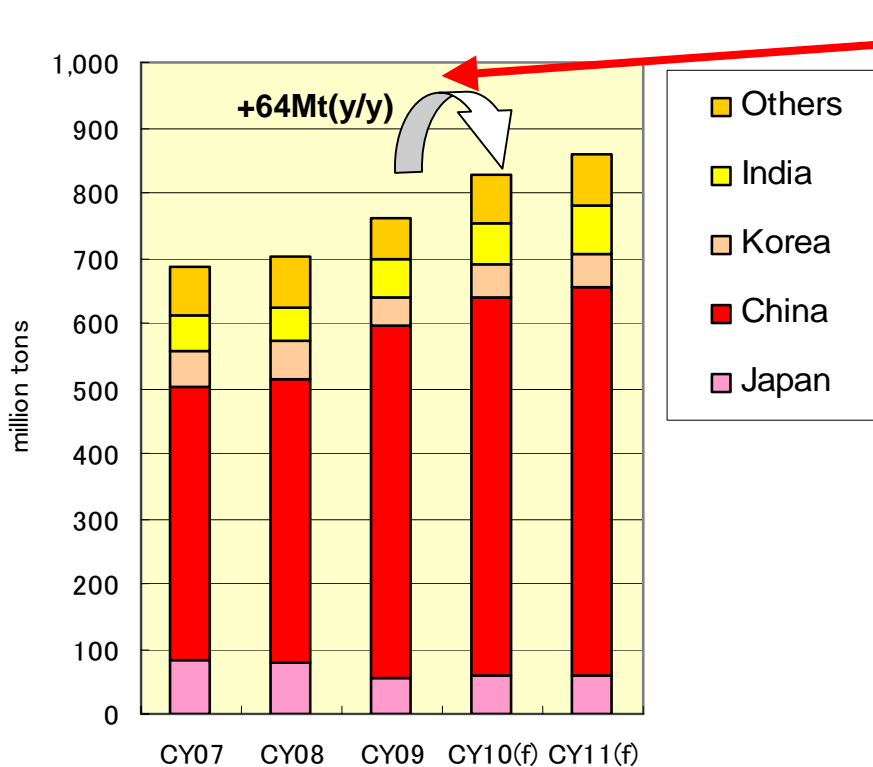
Source :WSA



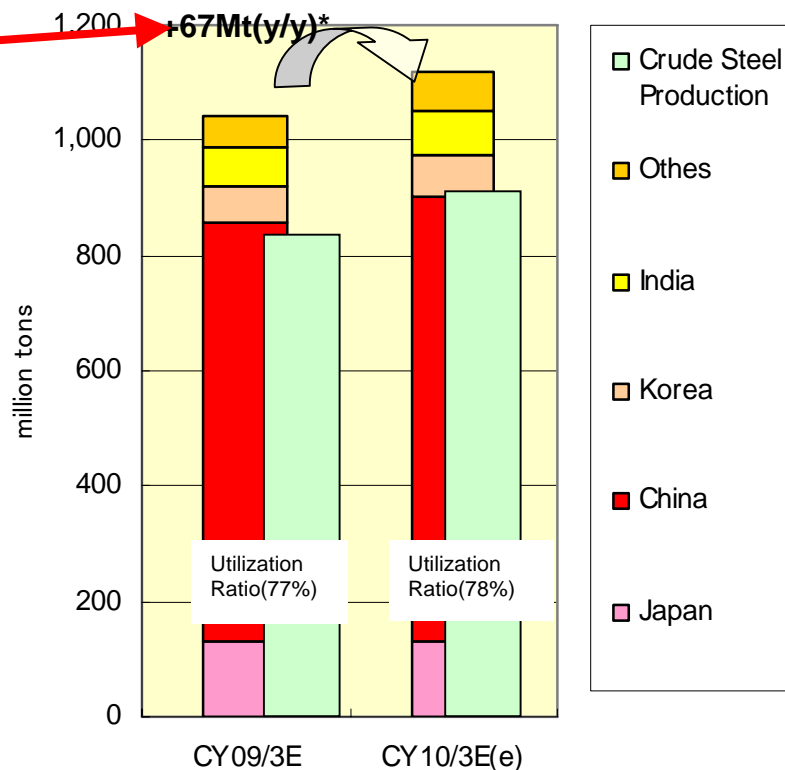
Healthy demand and supply trends in Asia will continue throughout the year 2010

Demand Increase in Asia

Apparent Steel Use in Asia

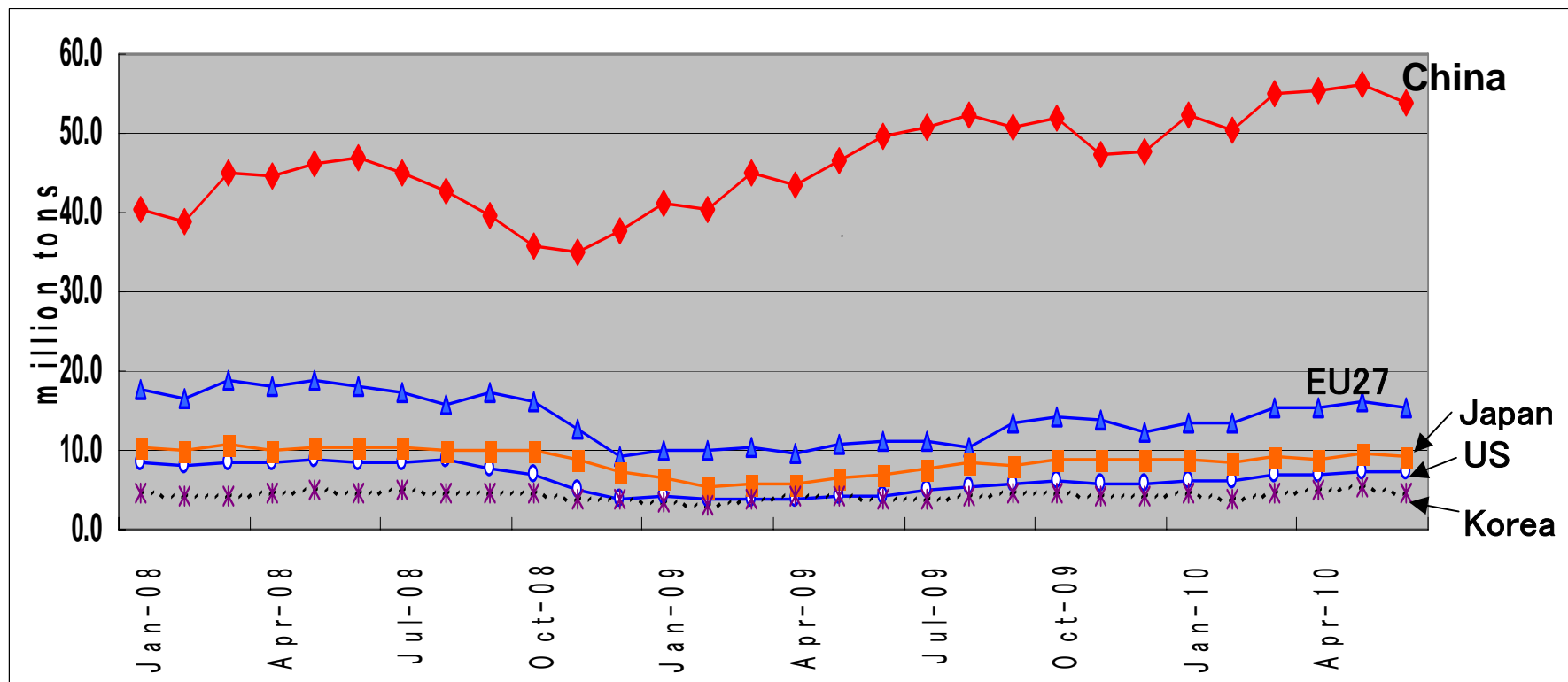


Capacity Increase in Asia (09⇒10)





- ◆ Quick estimate of world crude steel production in June : 118.8 million tons
 - Change from previous month: -5.4 million tons / Year-on-year change: + 18%
- Production in China in June : 53.8 million tons
 - Change from previous month: -2.3 million tons / Year-on-year change: + 9%



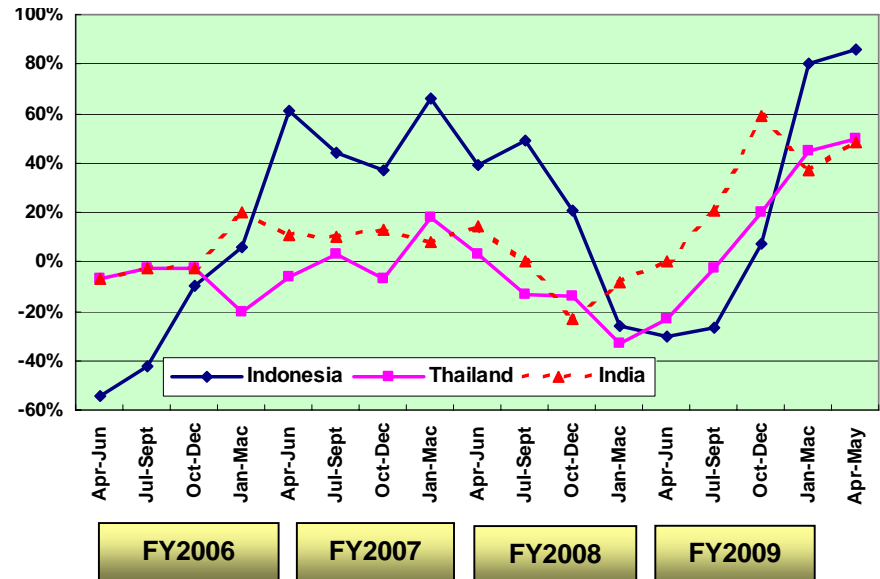
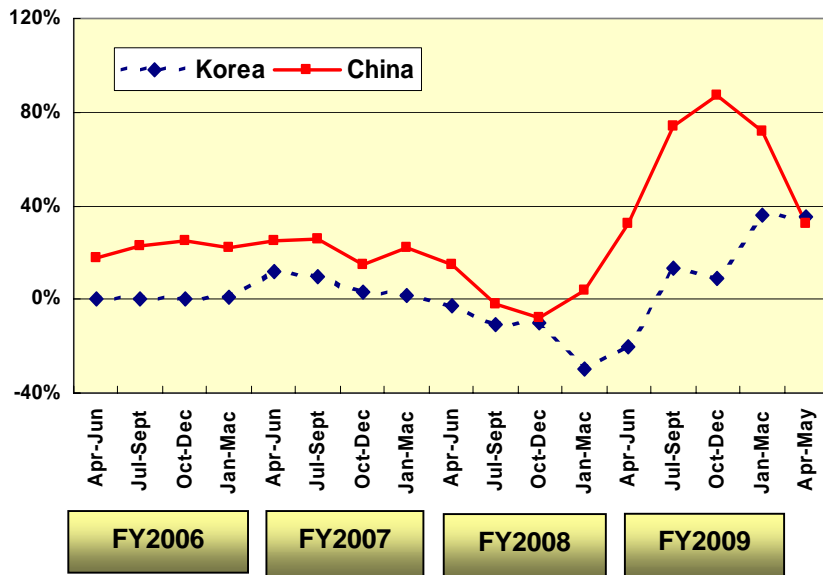


Export

Auto Sales in Key Countries

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

Automobile Sales in Key Countries (YoY changes)



* S. Korea figures include export sales

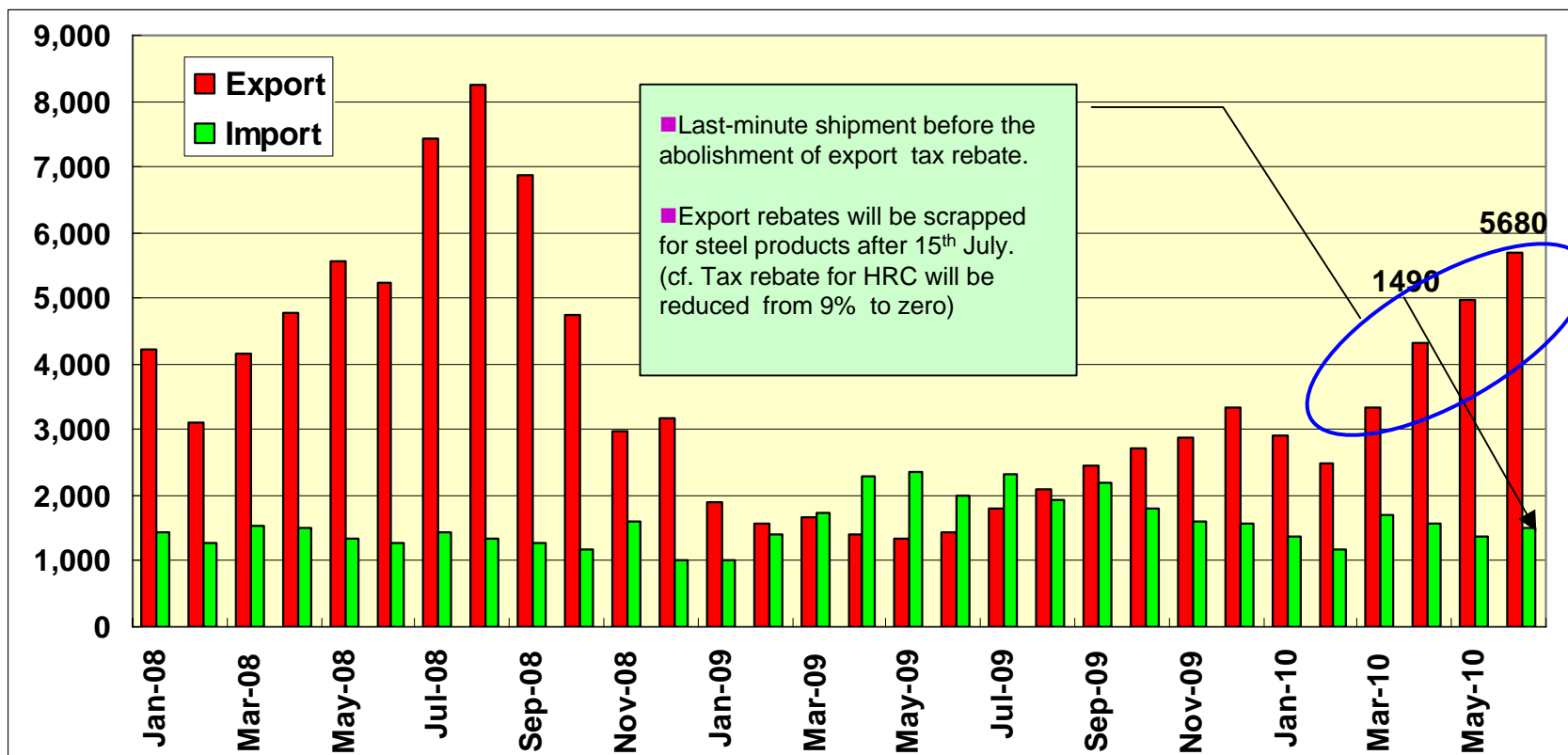
million units

	CY07	CY08	CY09				CY10			
			Jan-Mar	Apr-Jun	Jul-Set	Oct-Dec	Jan-Mar	Apr-May	y/y Change	
China	8.8	9.4	2.7	3.4	3.6	4.0	4.6	3.0	0.73	32%
Korea	4.1	3.8	0.7	0.9	0.9	1.1	0.9	0.7	0.19	35%
Thailand	0.6	0.6	0.1	0.1	0.1	0.1	0.2	0.1	0.04	50%
Indonesia	0.4	0.6	0.1	0.1	0.1	0.2	0.2	0.1	0.06	86%
India	2.0	2.0	0.5	0.5	0.6	0.6	0.7	0.5	0.16	48%



China's Export and Import of Steel Products (Including Semi-finished Products)

(thousand tons)

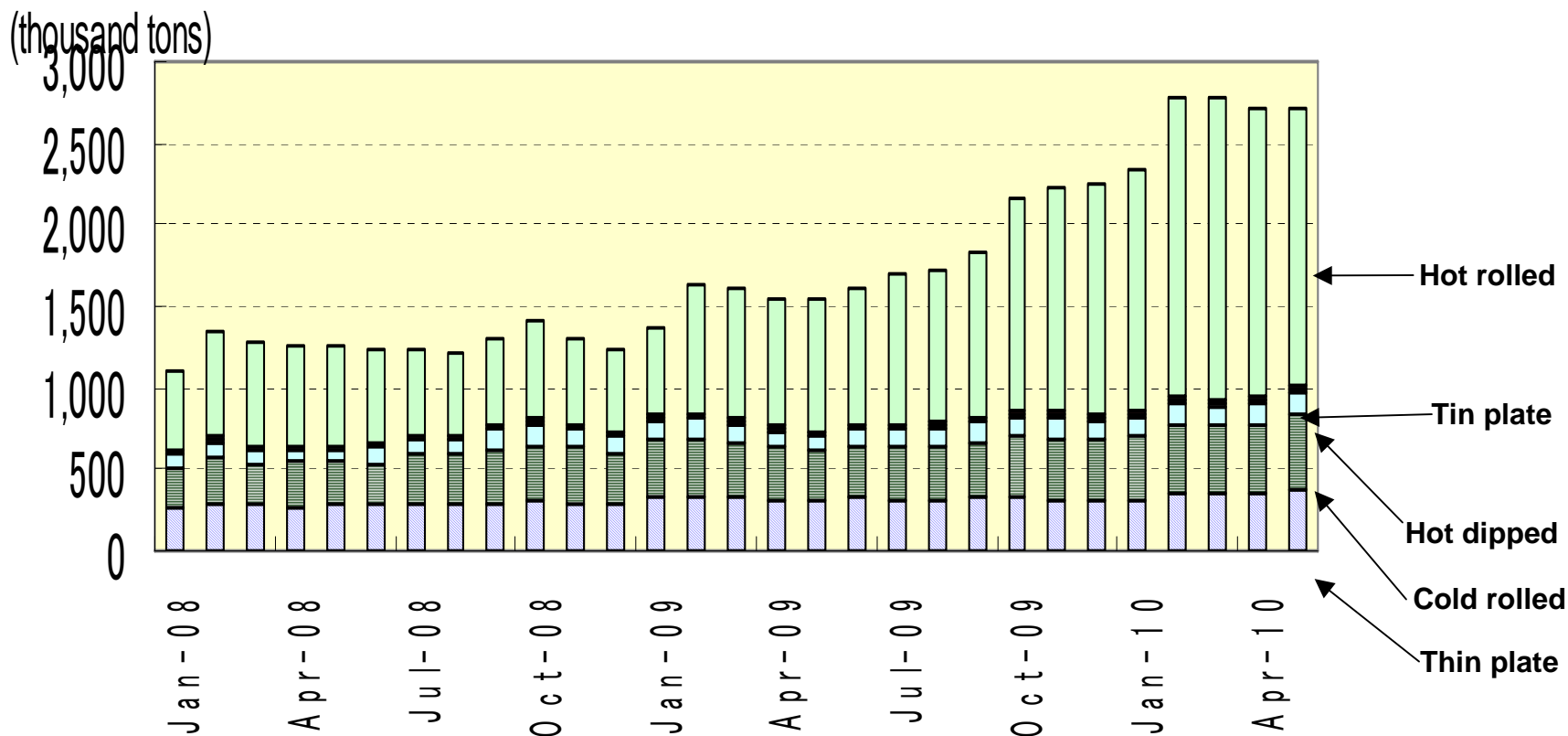


Source: General Administration of China Customs



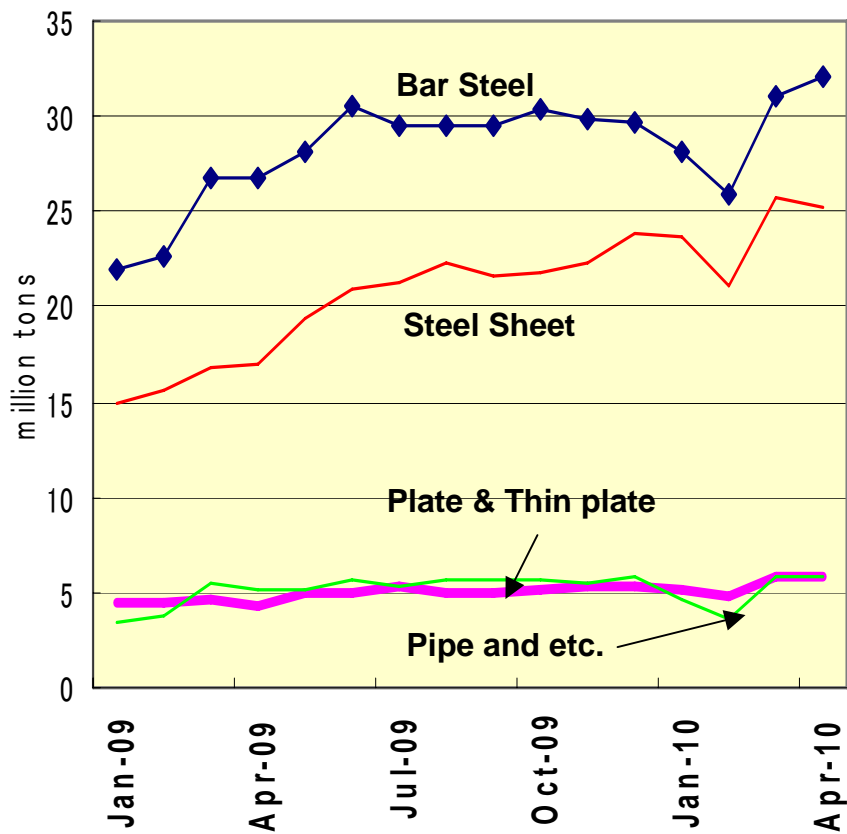
Only inventory of hot rolled sheet is showing a rising trend.

Inventories of Steel Sheet in East China (Public Warehouses)

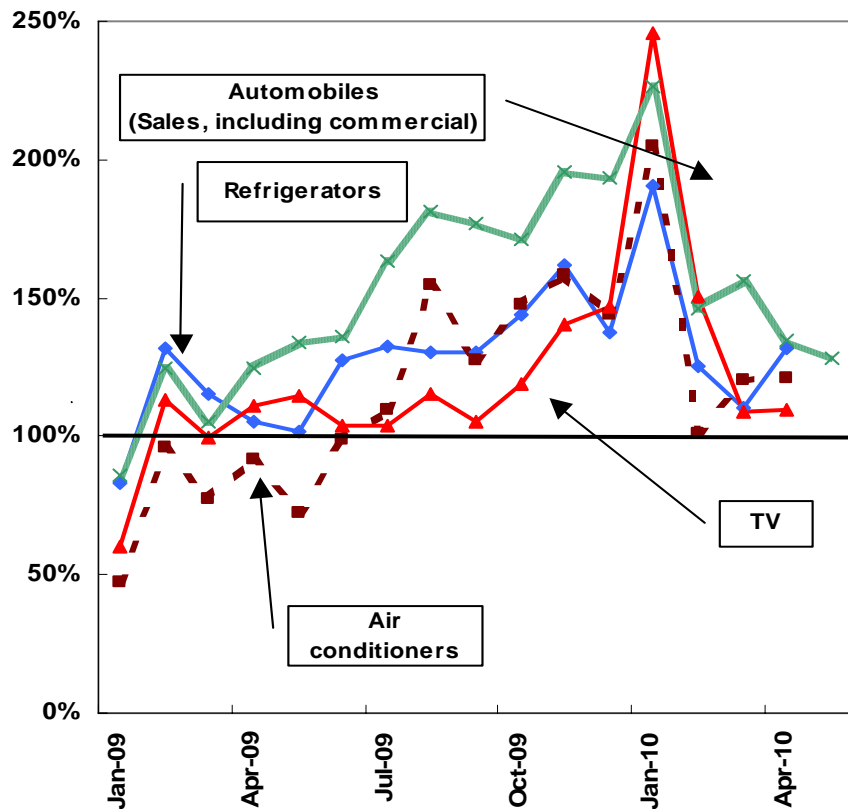




Steel Production by Product



Consumer Goods Production (Year-on-year growth)



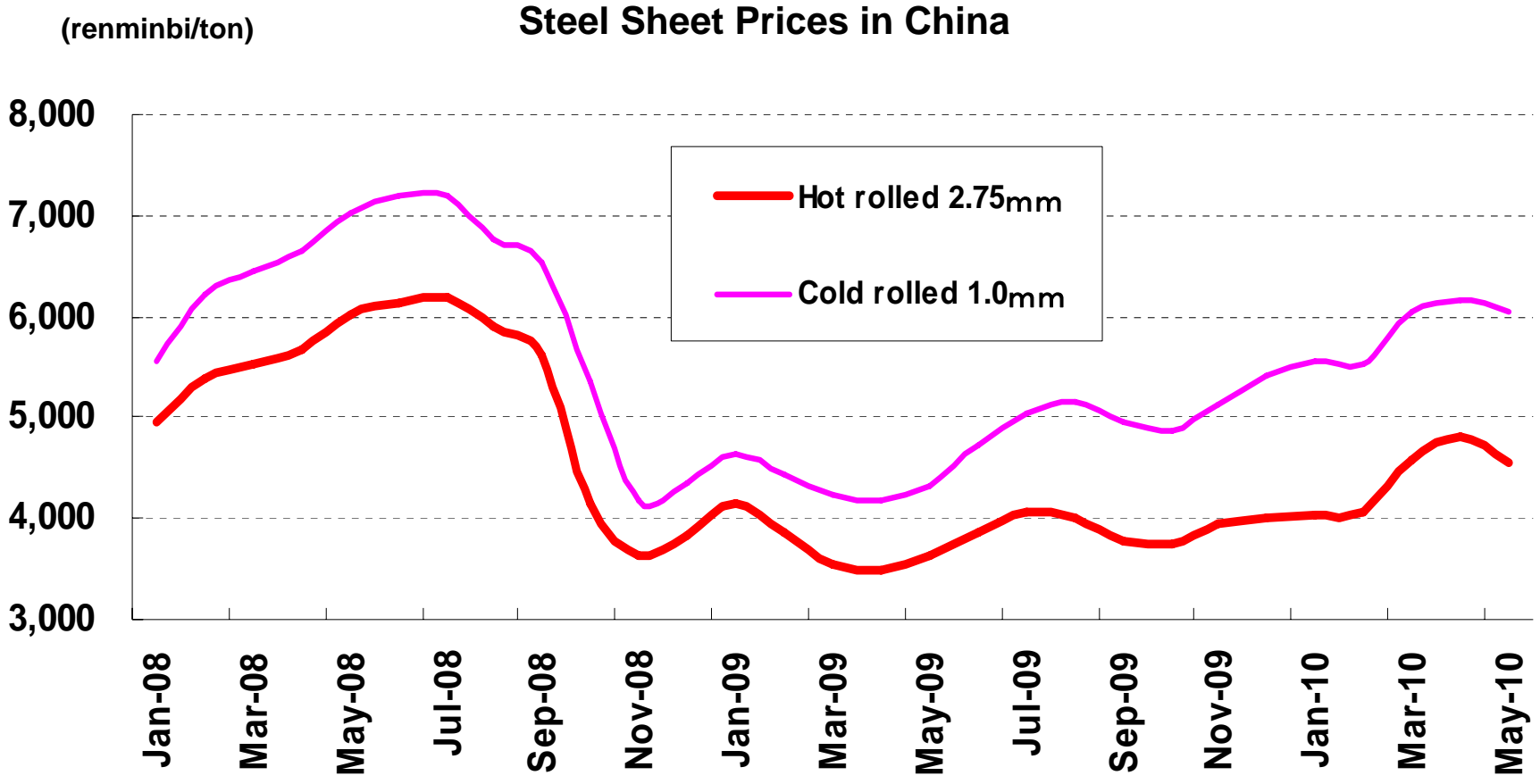
Source: Production, exports and imports:—Japan Iron and Steel Federation, “China Steel Statistics”



Export

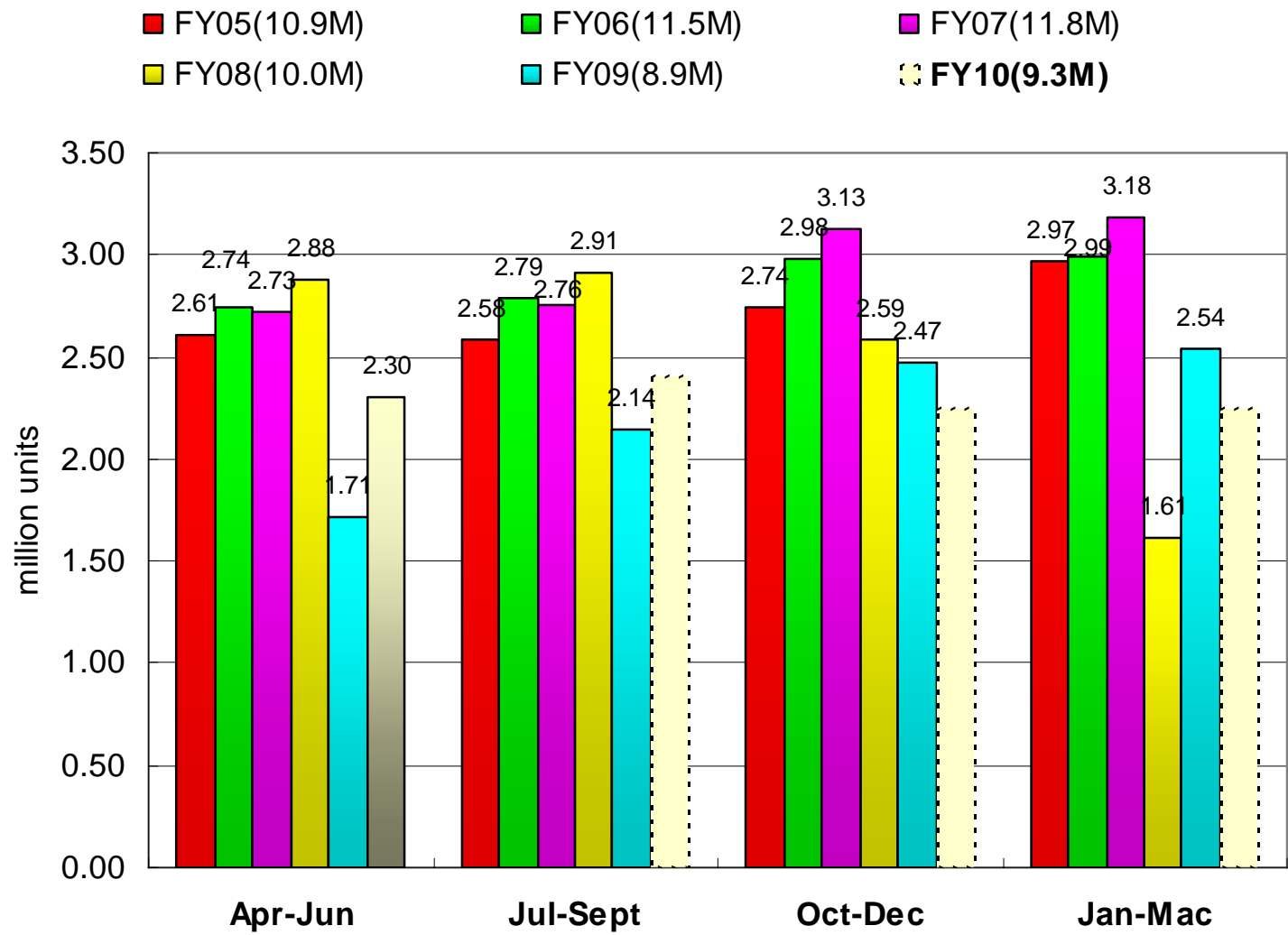
Steel Sheet Prices in China

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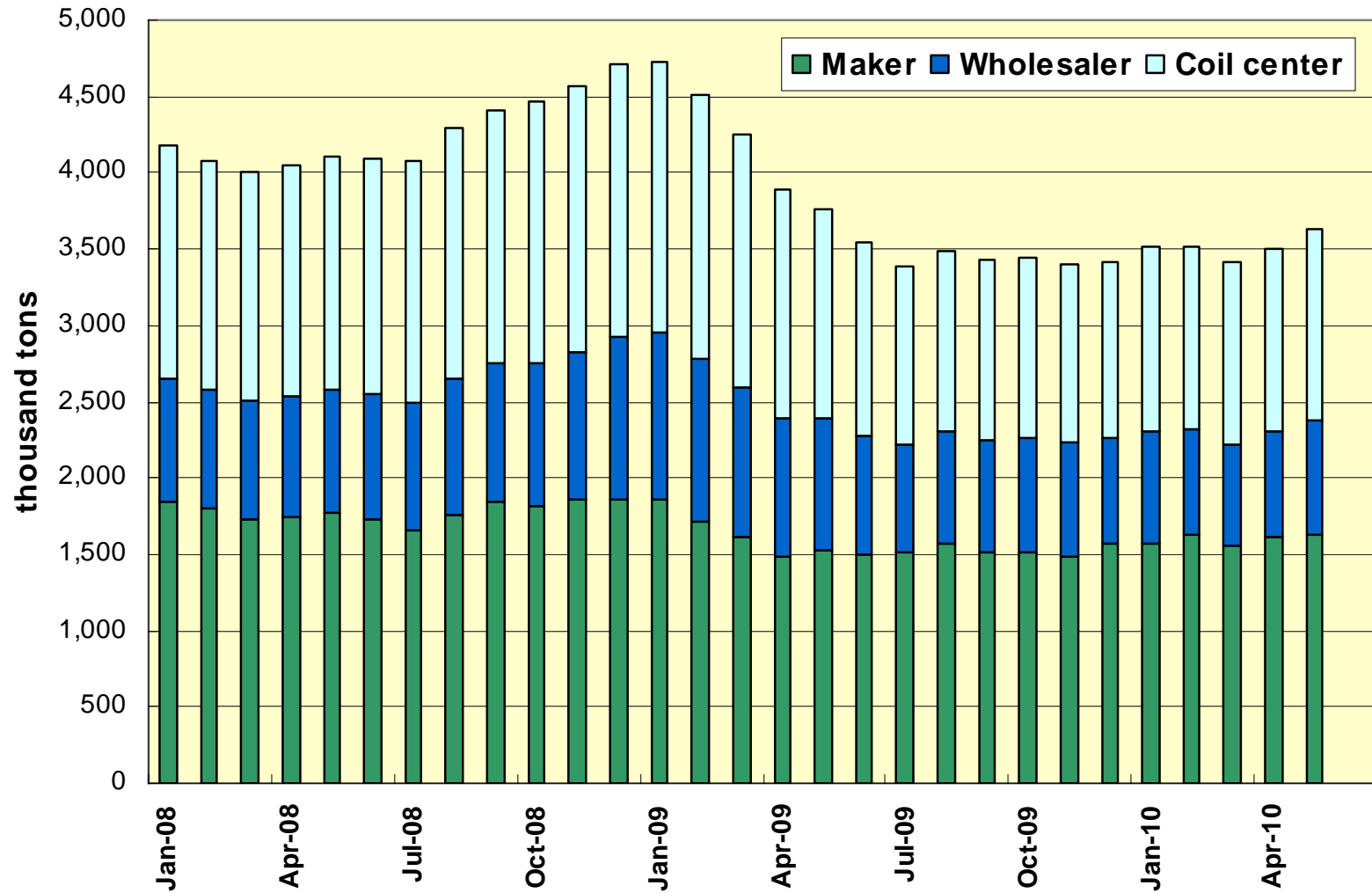


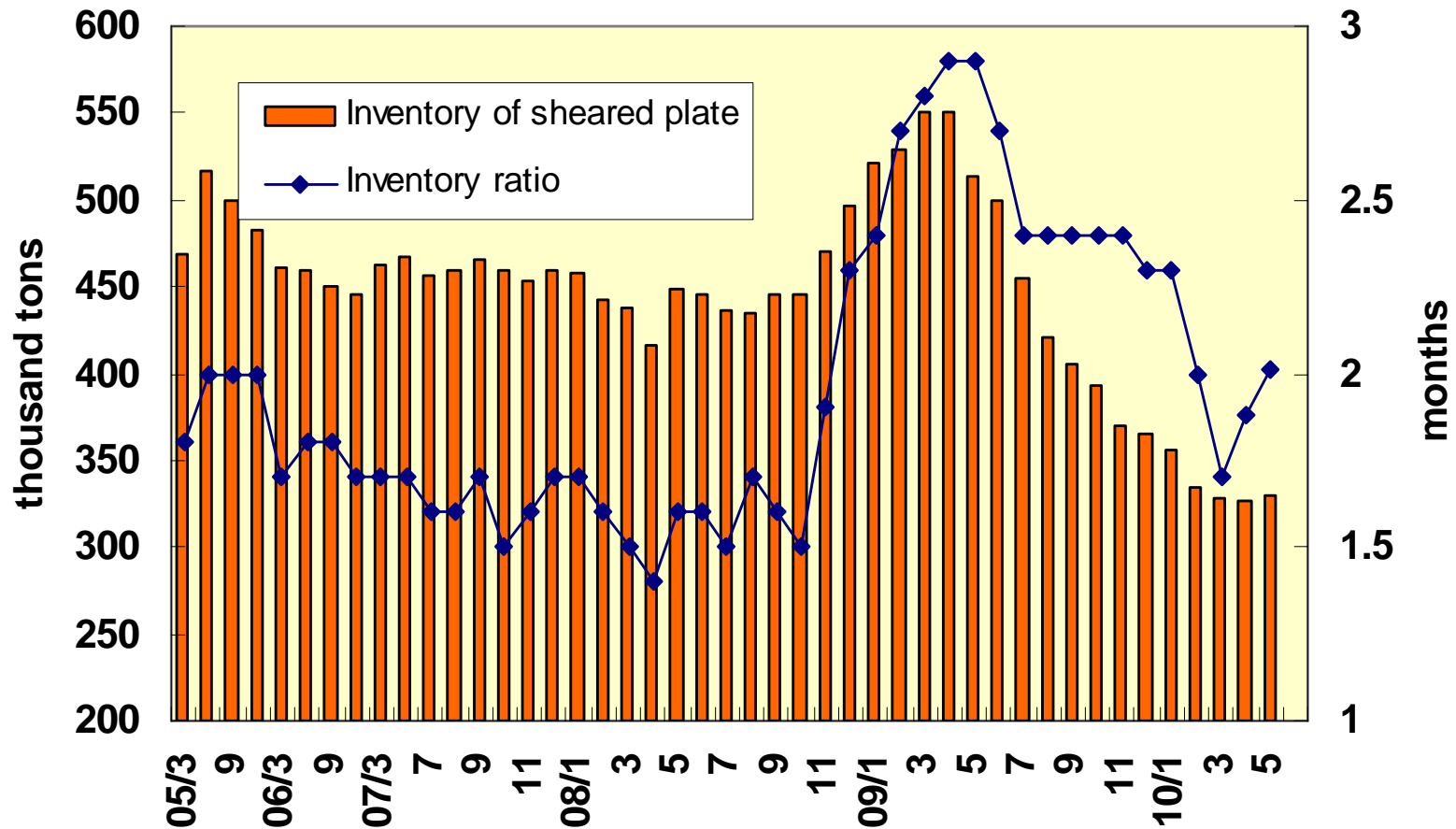
Source: China official information on prices

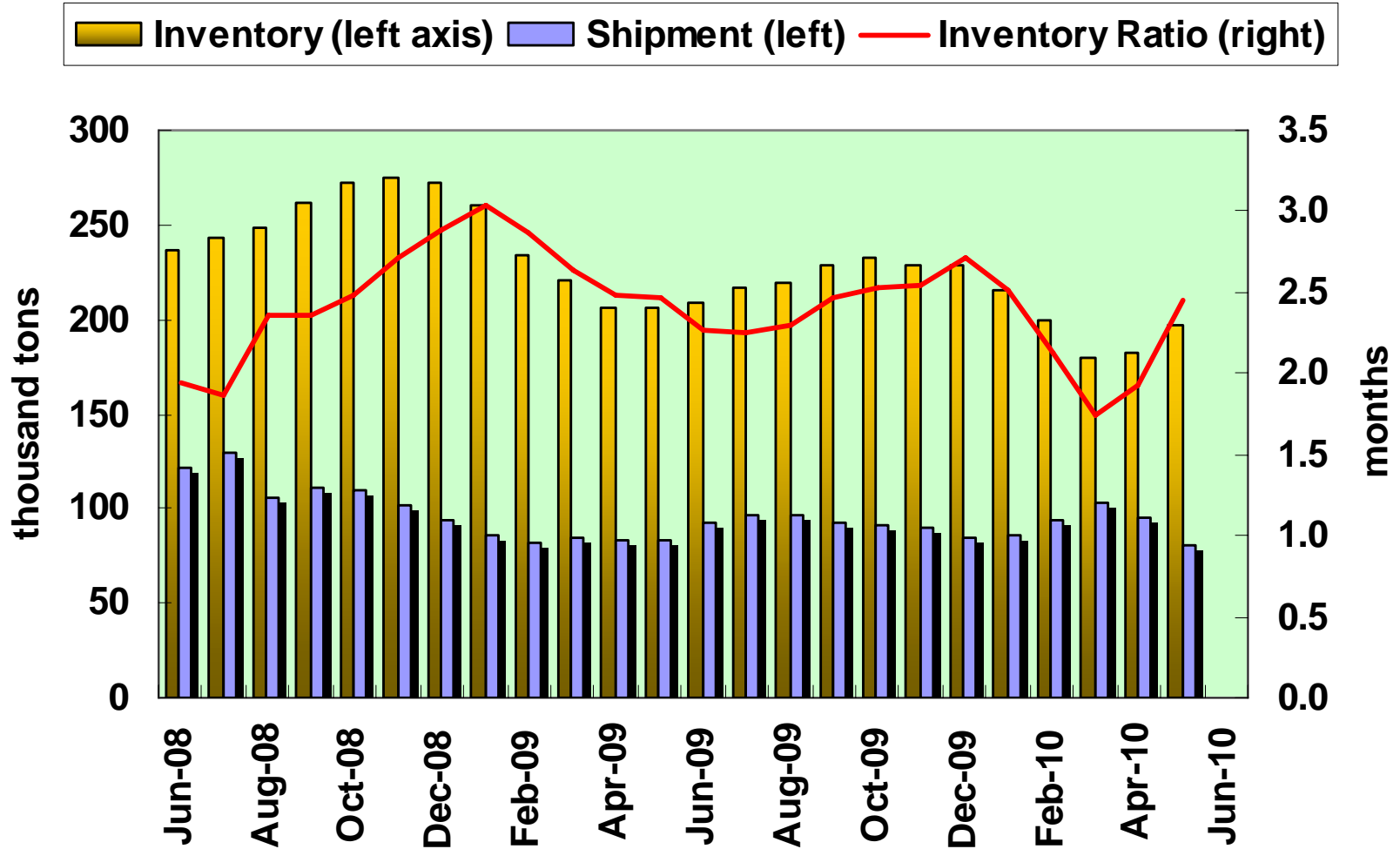
Notes: Figures include value-added tax. Prices are average from 18 regions of China.



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



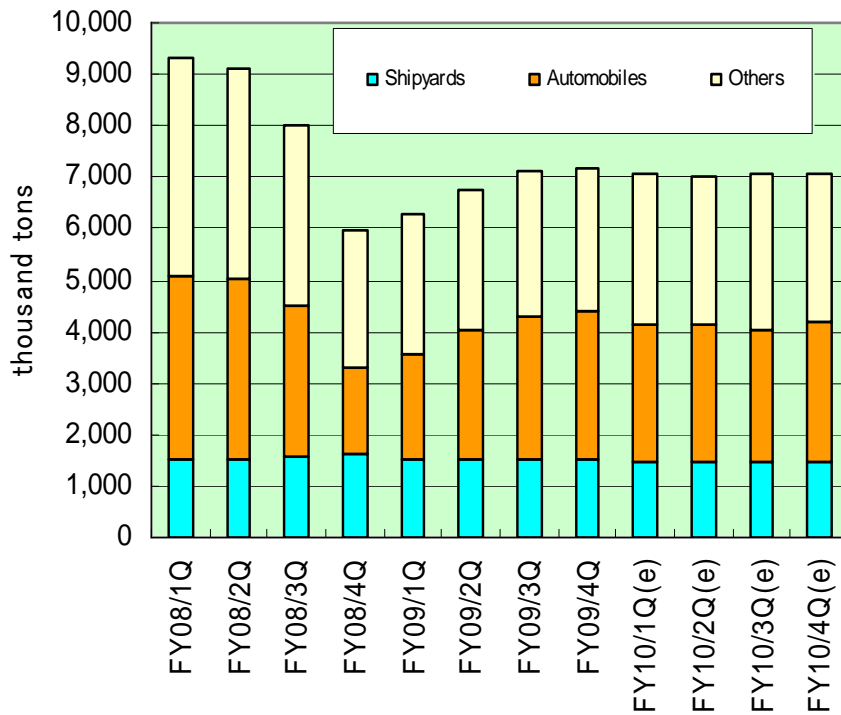




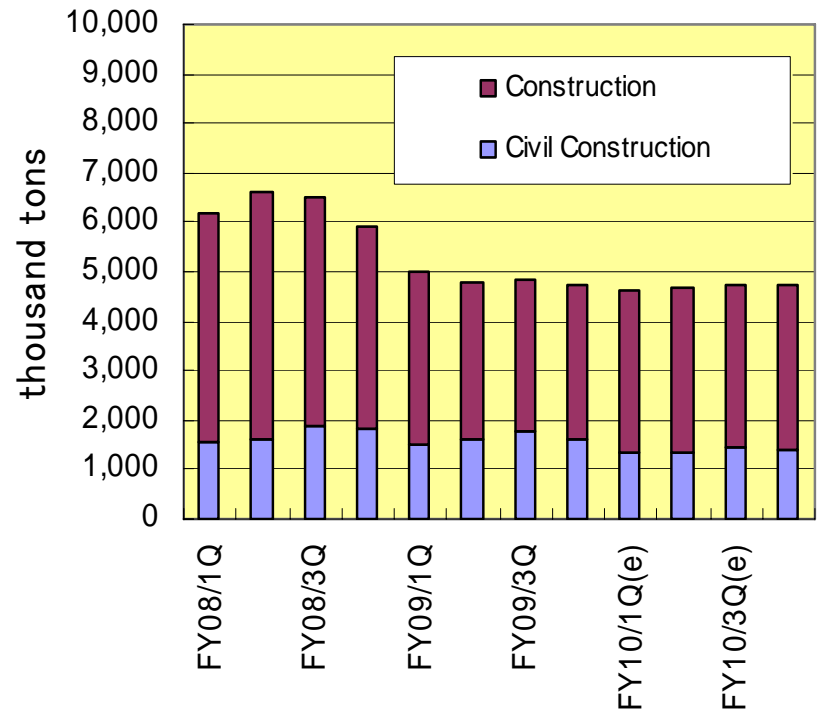


Overall: The gradual recovery since FY 2009 will continue, but demand from construction sector will remain at low levels.

Steel Demand from Manufacturing Industry



Steel Demand from Construction Sector



(2) 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	130	310	31
Net Sales	117	294	110	270	▲ 24
Operating Income	3	13	△ 1	5	▲ 8
Ordinary Income	3	13	0	7	※1 ▲ 6

Notes: Main Factors behind Changes

3.5 billion yen decrease in earnings due to weaker sales, 7.8 billion yen decrease in gross margin due to lower sales prices, 3 billion yen increase by cost reduction, and 2 billion yen increase in equity method earnings, etc.

Shipbuilding Business Results:

Changes between FY 09 and FY 10

Shipbuilding

Y on Y

(billion yen)

		FY09		FY10(e)		Change
		1H	Total	1H	Total	
Orders		14	59	64	110	51
Net Sales		139	287	110	210	▲ 77
Operating Income		10	21	8	11	▲ 11
	Single year income/loss	▲ 3	4	9	13	8
	Changes of allowance for losses on construction contract	15	21	1	1	▲ 19
	Goodwill amortization	▲ 2	▲ 4	▲ 2	▲ 4	0
Ordinary Income		10	22	8	11	※ ▲ 11

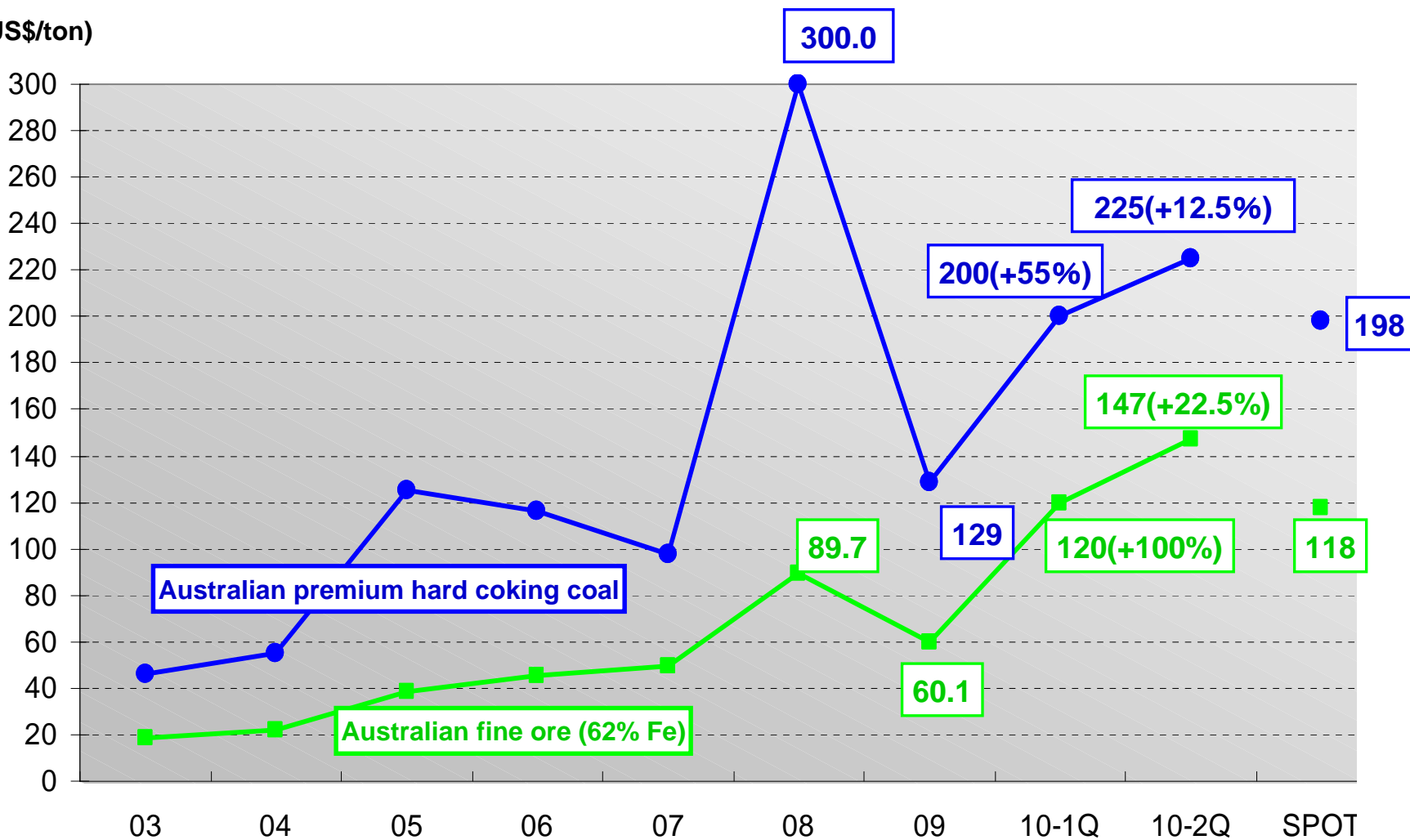
Notes: Main Factors behind Changes

- ¥5.8 billion : Cost reductions ¥2.5 billion : Forex rates & steel price changes
- 19.3 billion : Difference caused by booking reversal of the allowance for losses on construction contracts.

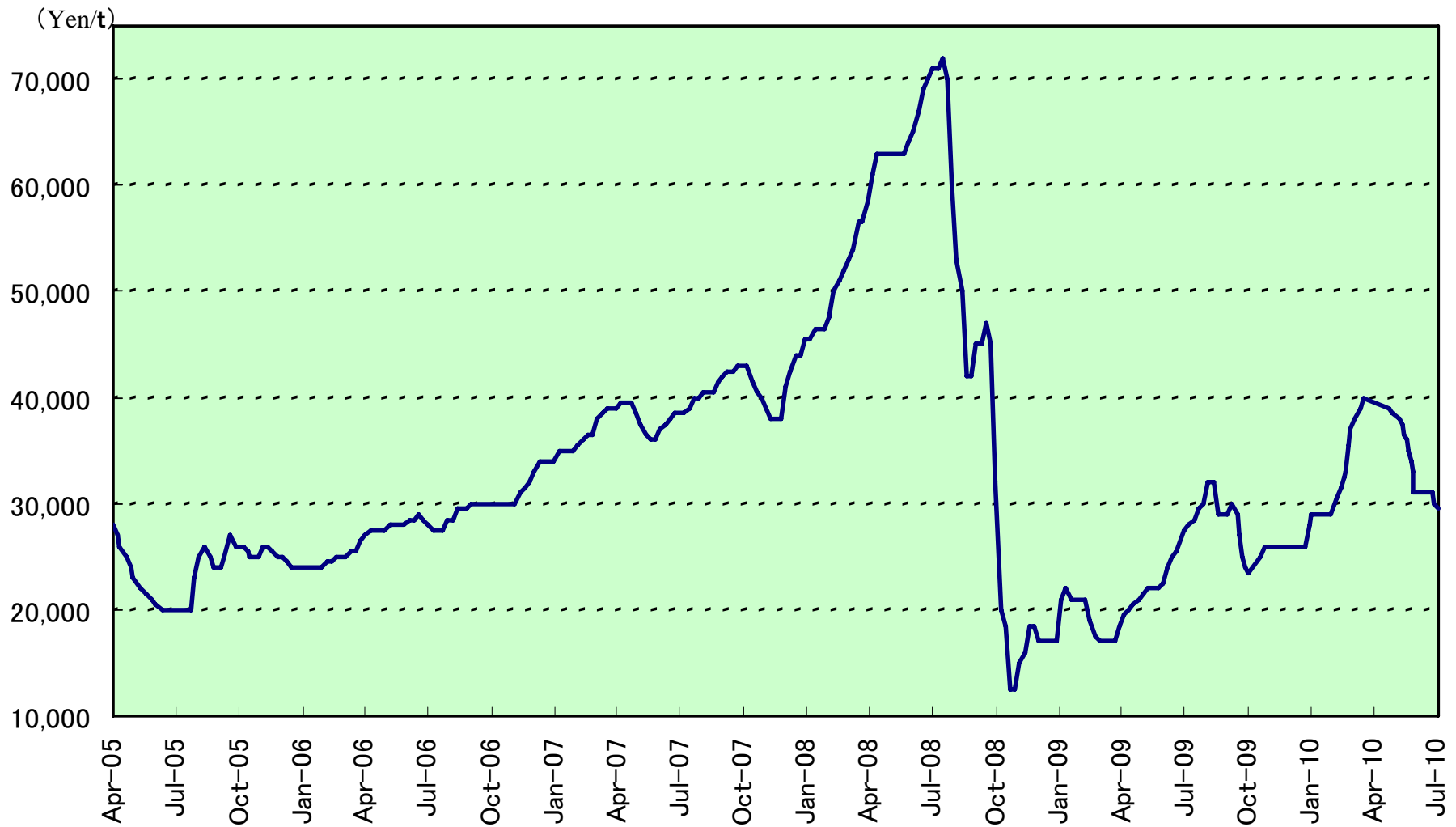


Main Raw Material Prices

(US\$/ton)



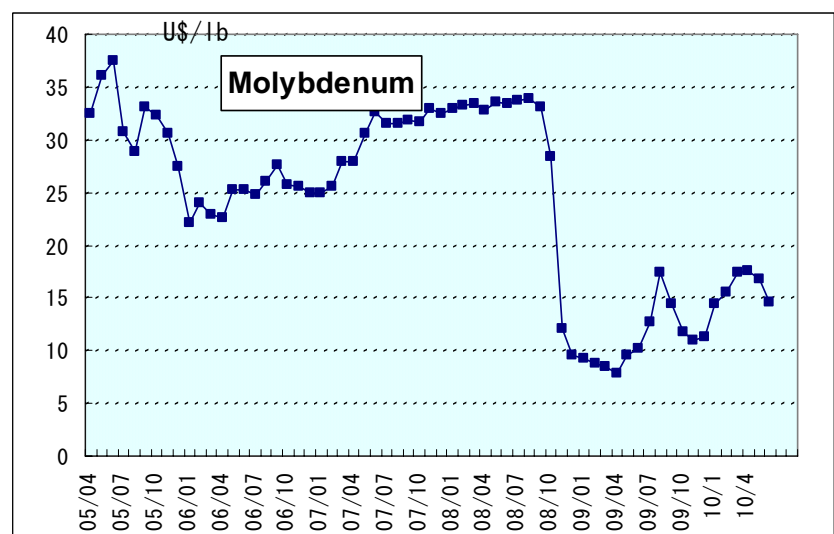
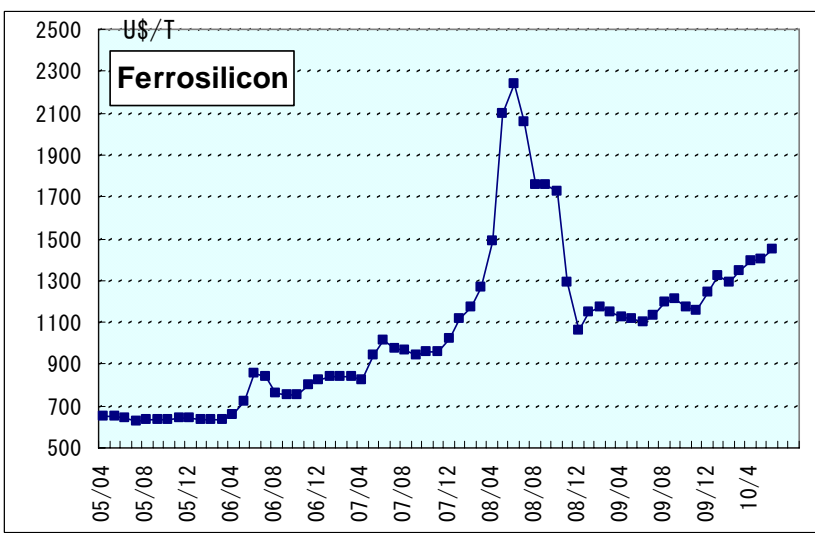
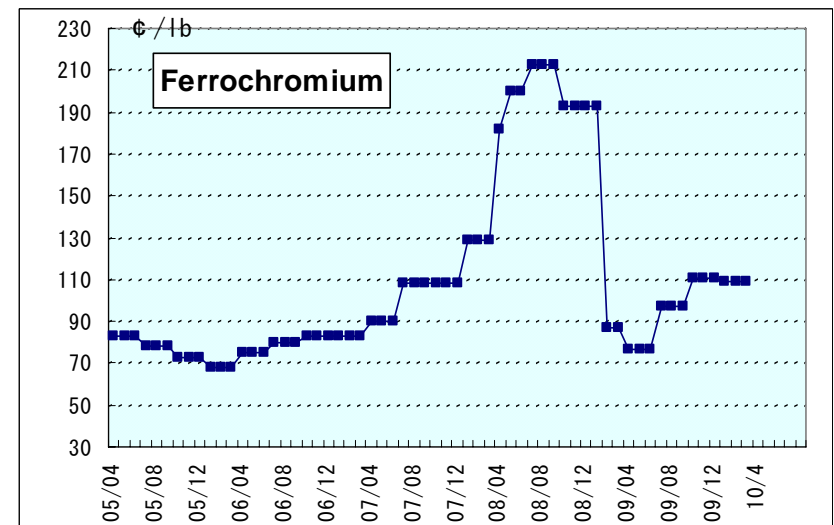
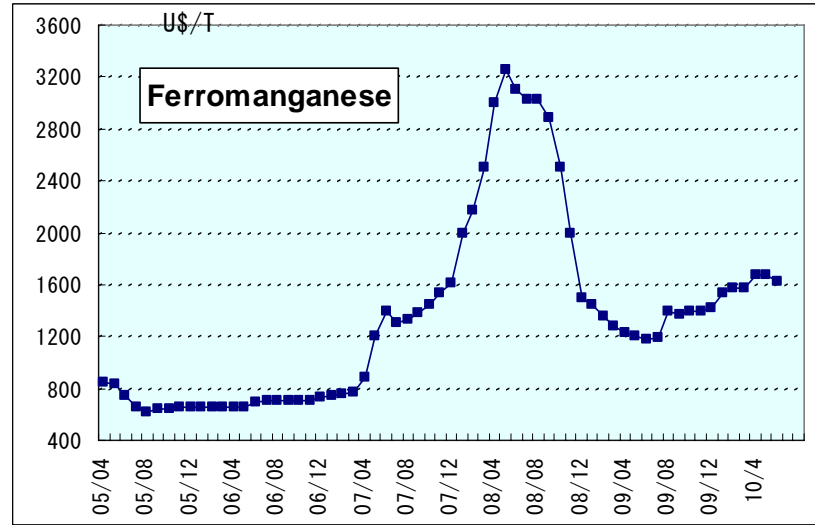
Trends in Scrap Price





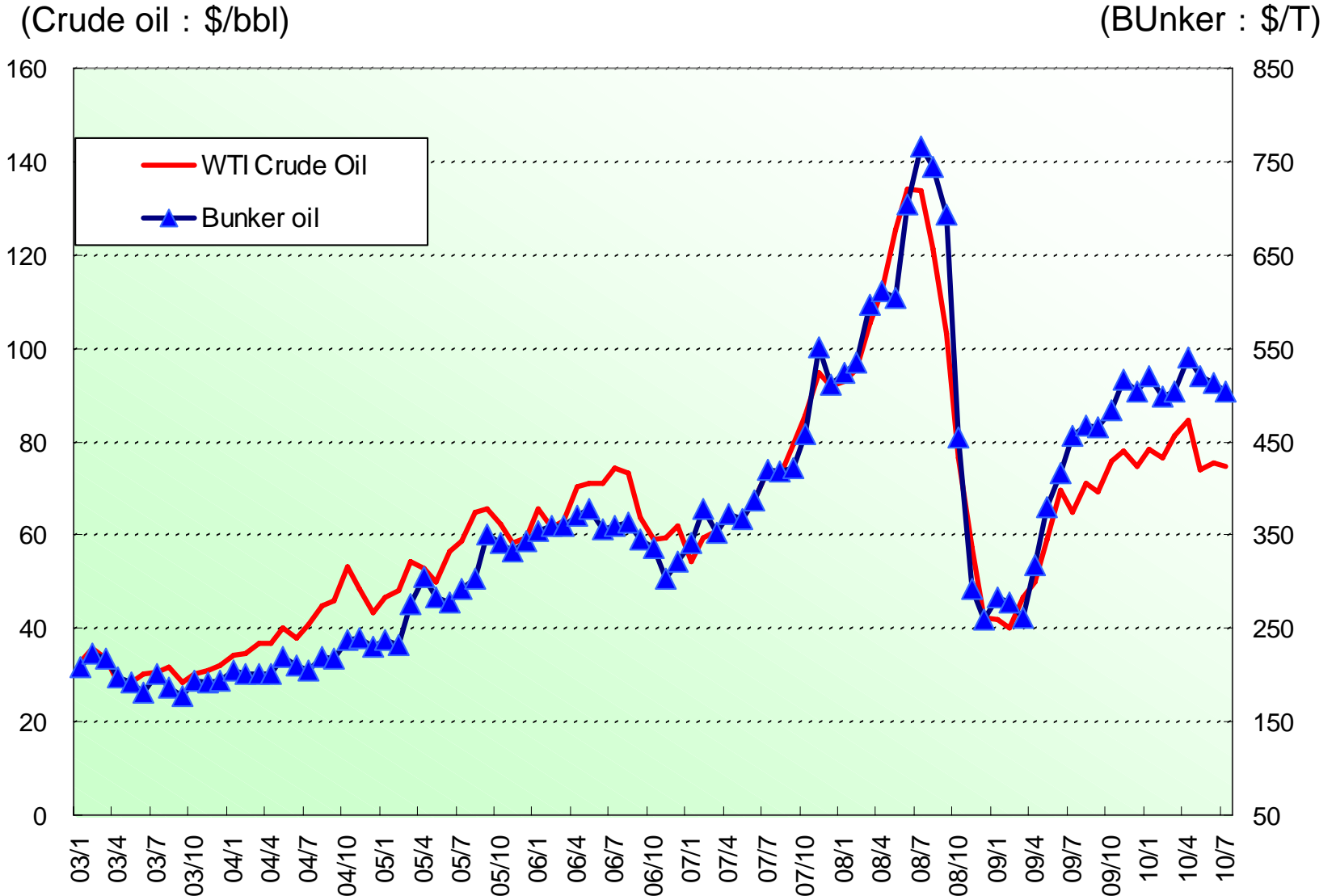
Raw Materials

Metals





Crude Oil and Bunker Oil

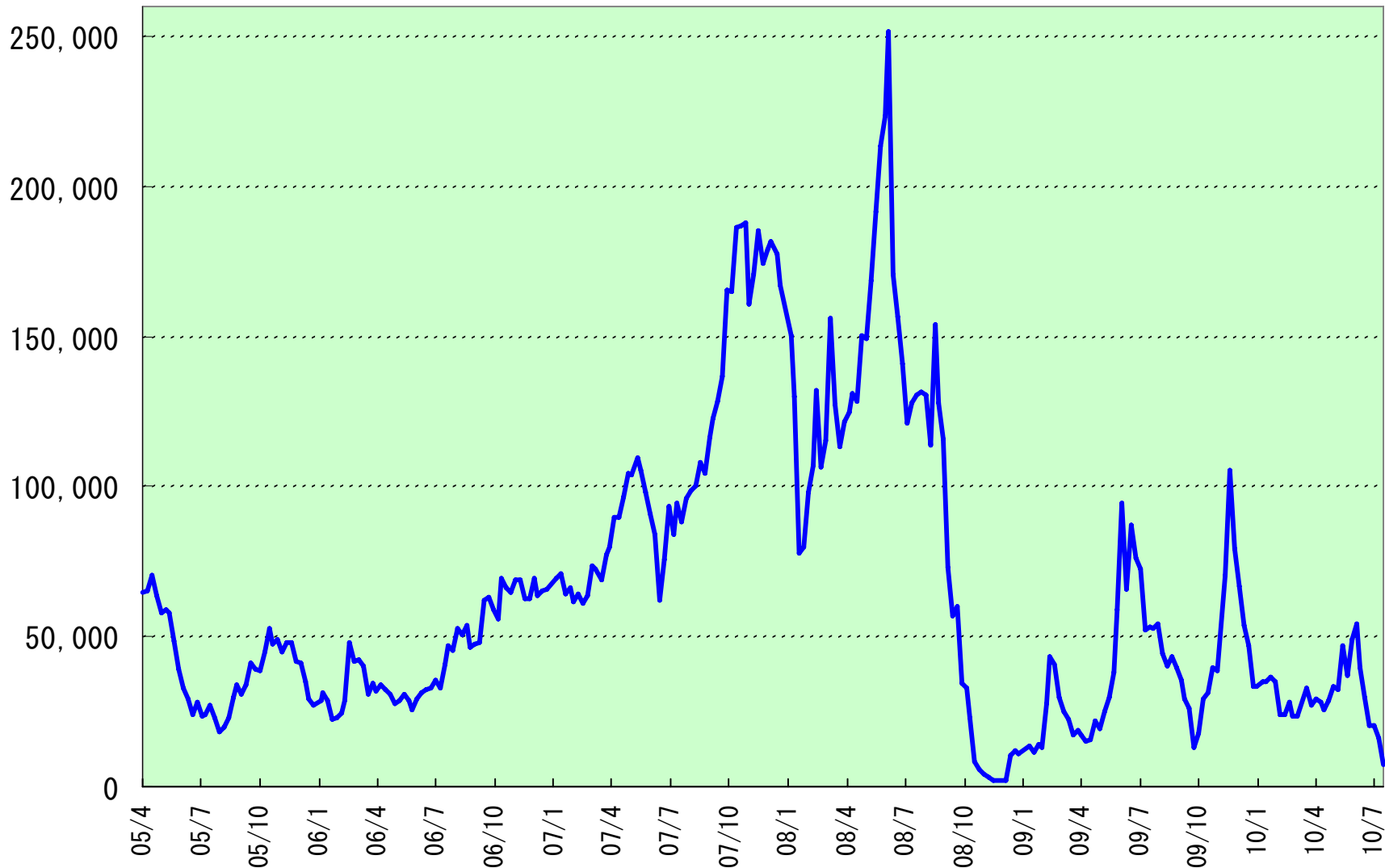




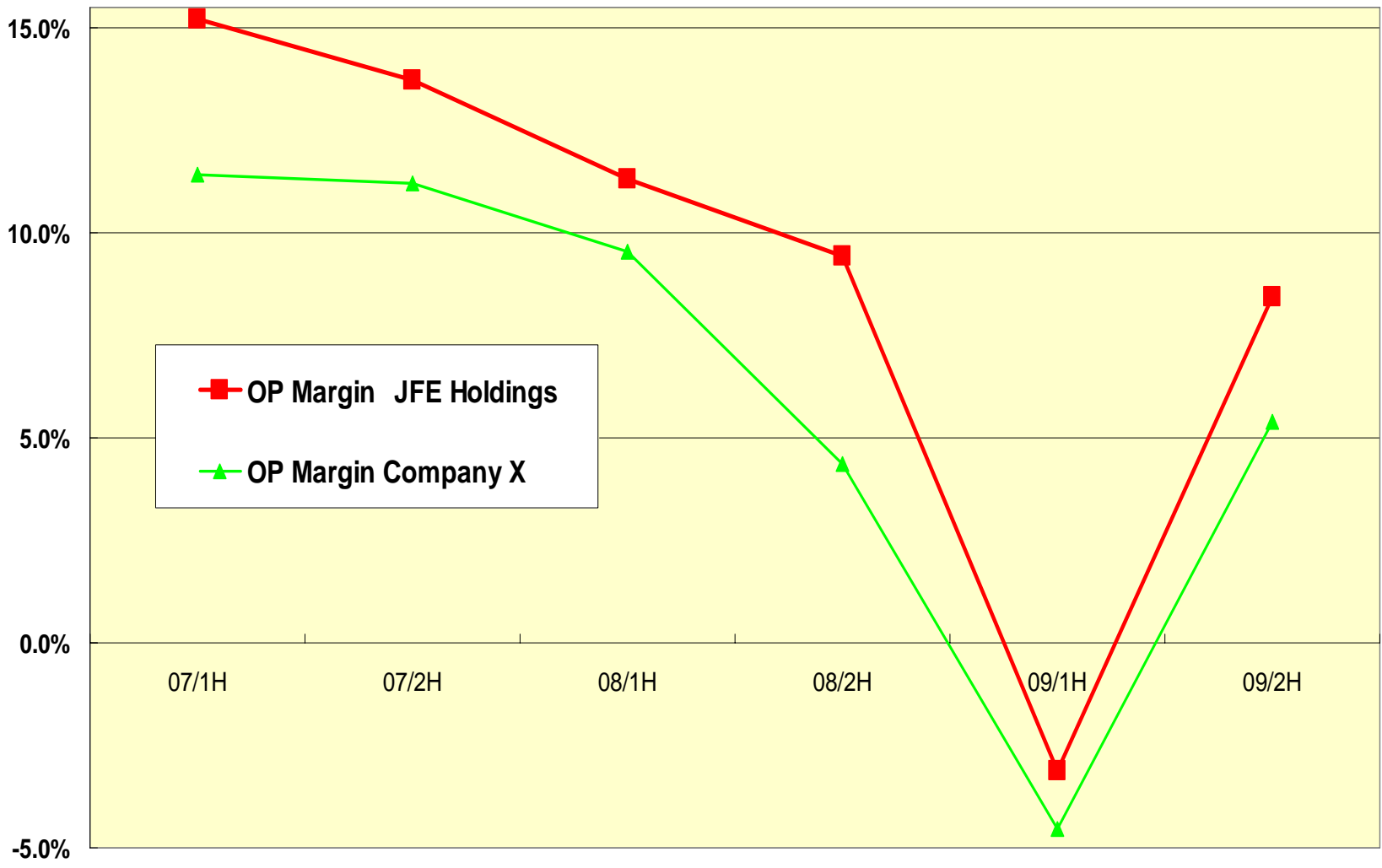
Raw
Materials

Spot Prices for Vessel Chartering

(\$/day)



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%	6.4%
ROE	15.9%	18.7%	28.6%	21.3%	17.5%	13.7%	3.3%	8.2%
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%	98.0%
D/E ratio *					61.4%	98.9%	75.5%	72.2%
Shares								
Net income (yen/share)	185.8	274.0	555.0	513.6	450.6	355.6	86.4	227.0
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.



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