

JFE Holdings' Financial Results of Fiscal Year 2010 ended March 31, 2011

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —
(Note: The following is an English translation of an original Japanese document)

April 21, 2011

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Listings: Tokyo, Osaka and Nagoya stock exchanges
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1. Consolidated Results in Fiscal Year 2010 (April 1, 2010 to March 31, 2011)

(1) Statements of Income

	Net sales (million yen)	Year-on-year change (%)	Operating income (loss) (million yen)	Year-on- year change (%)	Ordinary income (loss) (million yen)	Year-on- year change (%)	Net income (loss) (million yen)	Year-on- year change (%)
FY 2010	3,195,560	12.3	182,810	105.9	165,805	139.3	58,608	28.4
FY 2009	2,844,356	(27.2)	88,775	(78.2)	69,289	(82.7)	45,659	(76.5)

Note: Comprehensive income: 29,086 million yen in FY 2010 (down 72.1%)
104,249 million yen in FY 2009

	Net income per share (yen)	Net income per share [fully diluted] (yen)	ROE (%)	ROA (Ordinary income divided by total assets) (%)	ROS (Operating income divided by net sales (%))
FY 2010	110.73	109.68	4.1	4.2	5.7
FY 2009	86.35	86.26	3.3	1.7	3.1

Note: Equity in earnings of affiliates: 16,312 million yen as of March 31, 2011
6,442 million yen as of March 31, 2010

(2) Balance Sheets

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)	Net assets per share (yen)
End FY 2010	3,976,644	1,478,310	36.2	2,708.51
End FY 2009	3,918,317	1,465,898	36.3	2,689.88

Note: Shareholders' equity: 1,437,595 million yen as of March 31, 2011
1,422,250 million yen as of March 31, 2010

(3) Statements of Cash Flows

	Net cash provided by operating activities (million yen)	Net cash used in investing activities (million yen)	Net cash used in financing activities (million yen)	Cash and cash equivalents at end of the year (million yen)
FY 2010	302,603	(302,282)	23,073	49,043
FY 2009	389,548	(236,725)	(321,617)	32,342

2. Dividends in Fiscal 2010

	Dividend per share (yen)			Total dividend payout (million yen)	Dividend payout Ratio (Consolidated) %	Dividend per net assets (Consolidated) %
	Interim	Year-end				
FY 2009	20.00	0.00	20.00	10,582	23.2	0.8
FY 2010	35.00	20.00	15.00	18,553	31.6	1.3
FY 2011 (forecast)	undecided	undecided	undecided		undecided	

3. Forecasts of Consolidated Financial Results for Fiscal 2011 (from April 1, 2011 to March 31, 2012)

The company has decided to refrain from publishing consolidated financial results forecasts for the fiscal 2011 because forecasting with any reasonable degree of accuracy is not possible at this stage. For more information about this decision, please refer to "Forecast for Fiscal 2011" on page 3 of the attached document

4. Others (For details, see "Other information" on page 3 of the attached document)

1. Significant change in subsidiaries during the term (change in designated subsidiaries resulting in adjustment to the scope of consolidation): No
2. Changes in the principles, procedures and presentation method for accounting treatment in the preparation of consolidated financial statements
 - 1) Changes resulting from amendments to accounting standards: Yes
 - 2) Changes other than 1) above: No
3. Number of outstanding shares (common stock)
 - 1) Outstanding shares at the end of term (including treasury stock)
 - As of March 31, 2011: 614,438,399 shares
 - As of March 31, 2010: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of March 31, 2011: 83,667,772 shares
 - As of March 31, 2010: 85,698,154 shares
 - 3) Average number of shares issued during the term
 - FY 2010: 529,298,566 shares
 - FY 2009: 528,745,137 shares

Status of Quarterly Review

At the point of disclosing these quarterly financial results, the review of consolidated balance sheets in accordance with the Financial Instruments and Exchange Act was underway.

Explanation of appropriate use of results forecasts, and other matters of note

1. Forecasts are based on information available on the date of publication of this document as well as rational assumptions that we have made regarding certain factors. Actual results may vary significantly from these forecasts due to a wide range of circumstances. For a description of forecasts, see "Consolidated business results" on page 2 of the attached document
2. Notes to the financial results can be viewed at the JFE Holdings website.

Attachments

1. Qualitative Information

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4. Reference

1. Qualitative Information

(1) Consolidated business results

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 in fiscal 2010 (ended March 31, 2011).

The Japanese economy remained stagnant in the second half of the fiscal year despite signs of an export-led recovery in the first quarter. The group responded with efforts to enhance profitability by expanding its base for sales both within and outside Japan, developing new alliances, enhancing productivity and manufacturing technologies, reinforcing manufacturing structure with more effective production systems and developing new products, in addition to ongoing efforts to recover earnings.

As a result, JFE Holdings achieved a significant increase in consolidated annual ordinary income compared to the previous fiscal year. Also, despite booking an extraordinary loss due to the impact of the earthquake in March, net income increased.

On a consolidated basis, the company recorded net sales of 3,195.5 billion yen, operating income of 182.8 billion yen and ordinary income of 165.8 billion yen, all increases from the previous year. An extraordinary loss of 50.5 billion yen resulted in income before income taxes and minority interests of 115.2 billion yen and net income of 58.6 billion yen.

By segment, steel business increased annual consolidated crude steel production to 31.47 million tons as a result of stronger sales due to robust overseas demand. Net sales increased year on year to 2,747.4 billion yen due to the increased sales volume and higher sales prices. Ordinary income increased to 134.2 billion yen due to increased sales volume, higher sales prices and continued efforts to improve earnings despite sharp rises in raw material prices.

Engineering business net sales fell year on year to 265.1 billion yen amid severe business conditions, including weak private-sector capital spending and further cutbacks in public works projects. Ordinary income of 12.2 billion yen was secured, which—although a decrease—reflected company-wide efforts centered on cost reductions to improve earnings.

Shipbuilding business delivered 25 new vessels but saw net sales decrease year on year to 210.8 billion yen due to the expanded application of percentage-of-completion accounting in the previous year. Ordinary income of 17.1 billion yen, although supported by efforts to improve earnings, declined as a result of lower sales.

Urban development net sales decreased year on year to 13.3 billion yen as condominium deliveries contracted. Chronic sluggishness in the condominium market led to an ordinary loss of 700 million yen, although this was an improvement from the previous year.

LSI net sales decreased year on year to 24.1 billion yen due to factors including the Japanese yen's continued strength. Ordinary income grew to 1.6 billion yen as structural reforms helped to curtail fixed costs.

Forecast for Fiscal 2011

JFE Holdings has decided not to issue fiscal 2011 earnings forecasts at this time due to ongoing negotiations concerning the prices of both raw materials and steel products, as well as continued uncertainties surrounding the outlooks of various customer industries after the earthquake, making it impossible to compile rational forecasts. The company intends to disclose its earnings forecasts as soon as suitably accurate forecasting becomes possible. JFE Holdings will provide an update about this matter when fiscal 2011 first quarter earnings are announced.

(2) Analysis of Financial Position

Analysis of Assets, Debt, Net Assets and Cash Flow Positions

Total assets at the end of fiscal 2010 (March 31, 2011) increased 58.3 billion yen from the previous year-end to 3,976.6 billion yen, mainly due to increases in investment securities. Debt increased 45.9 billion yen to 2,498.3 billion yen mainly due to increases in commercial paper and corporate bonds. Net assets grew 12.5 billion yen to 1,478.3 billion yen due to increased retained earnings as a result of net income and decreased valuation differences on available-for-sale securities.

Net cash provided in operating activities amounted to 302.6 billion yen. Net cash used for investment activities totaled 302.2 billion yen, largely the result of acquisitions of fixed-asset and investment securities. Aggregate free cash flow totaled 300 million yen.

Cash flow from financing activities came to 23.0 billion yen, primarily from commercial paper and corporate bond issues.

Outstanding debt at the fiscal year-end was 1,496.4 billion yen, up 28.0 billion yen. Outstanding cash and deposits increased by 18.2 billion yen to 49.5 billion yen.

Cash Flow and Other Financial Indicators

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Return on sales (ROS)	15.8%	14.2%	10.2%	2.4%	5.2%
Return on assets (ROA)	14.1%	13.0%	10.0%	2.2%	4.6%
Outstanding debt	1,180.5 bil. yen	1,281.9 bil. yen	1,768.7 bil. yen	1,468.4 bil. yen	1,496.4 bil. yen
D/E ratio*	78.6%	85.7%	132.4%	103.2%	104.1%
Shareholders' equity ratio	38.8%	35.9%	30.9%	36.3%	36.2%
Shareholders' equity ratio at market prices	106.0%	60.6%	26.2%	50.8%	32.5%
Debt redemption term	2.8 years	2.9 years	7.3 years	3.8 years	4.9 years
Interest coverage ratio	25.3 times	24.6 times	11.3 times	18.9 times	17.9 times

*In the rating of hybrid bonds having a capital component (unsecured share-warrant convertible bonds with a subordinate purchase option issued in March 2008), if 75% of the 300 billion yen issue price is

deemed to be capital, as assessed by rating agencies, the company's D/E ratio was 61.4% on March 31, 2008, 98.9% on March 31, 2009, 75.5% on March 31, 2010 and 76.5% on March 31, 2011.

Notes:

- Return on sales (ROS) = Ordinary income/Net sales
- Return on assets (ROA) = (Ordinary income + Interest expense)/Total assets¹
- Outstanding debt = Total amount of borrowings, bonds and commercial paper
- D/E ratio = Outstanding debt/Shareholders' equity
- Shareholders' equity ratio = Shareholders' equity/Total assets
- Shareholders' equity ratio at market prices = Market capitalization²/Total assets
- Debt redemption term = Outstanding debt/Operating cash flow³
- Interest coverage ratio = Operating cash flow³/Interest expense⁴

¹ (Total assets at beginning of term + Total assets at end of term)/2

² Market capitalization is calculated as term-end market prices multiplied by term-end outstanding shares.

³ Operating cash flow corresponds to cash flow from operating activities on the consolidated cash flow statement.

⁴ Interest expense corresponds to interest payments on the consolidated cash flow statement.

3) Basic Guidelines on Profit Distributions and Dividends for Fiscal 2010 and 2011

The return of profits to shareholders is one of JFE Holdings' top priorities. The company's policy is to proactively distribute dividends while maintaining a sound and sustainable operational basis for the group. The company's basic, general target for its consolidated payout ratio is 25%.

Accordingly, at the next General Meeting of Shareholders the company intends to propose a year-end dividend of 15 yen per share, as announced on January 28th, 2011, which would result in a full-year dividend of 35 yen per share for fiscal 2010.

JFE Holdings is not issuing a dividend forecast for fiscal 2011 at this time, as it seeks to determine the trends in its earnings outlook.

2. Management Policy

(1) Basic Management Policy

(2) Indicators Serving as Business Targets

(3) Medium- and Long-Term Business Strategies

(4) Tasks Requiring Attention

Whereas the JFE Group expects the business environment to remain severe in view of the high prices for raw materials, it also expects economic growth in Asia and other emerging markets to continue. The outlook for overall business in Japan is unclear following the Great East Japan Earthquake, which damaged a portion of production facilities and also has led to restrictions in electricity supply, clouding the outlook for certain areas of domestic production.

JFE will pursue growth by responding to shifts in the mid- to long-term business environment, as well as future prospects. First, efforts will include accelerated development of innovative process and usage technologies, as well as the development of revolutionary products in response to ever-

rising needs in the market for reduced environmental impact and greater energy savings. Second, JFE will enhance the productivity of its domestic manufacturing bases and will strengthen its business bases by realigning operations and collaborating more extensively with industry peers in selected business areas. Third, JFE will ensure that it captures anticipated new demand in Asian markets, the company's growth driver.

The current management policy is not described here in detail because it has not changed significantly since it was announced together with earnings for the fiscal year that ended March 31, 2009 (released on April 24, 2009). The announcement can be viewed at www.jfe-holdings.co.jp/en or the website of the Tokyo Stock Exchange www.tse.or.jp/listing/compsearch (Japanese).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2011	(million yen) As of March 31, 2010
(Assets)		
Current assets:		
Cash and deposits	49,591	31,334
Notes and accounts receivable	547,922	497,500
Merchandise and finished goods	254,612	233,485
Work in process	52,589	64,695
Raw materials and supplies	359,321	326,276
Deferred tax assets	43,996	61,065
Other current assets	93,757	117,429
Allowance for doubtful accounts	(398)	(894)
Total current assets	1,401,391	1,330,893
Property, plant and equipment, net:		
Buildings and structures, net	424,751	435,137
Machinery and equipment, net	667,200	703,299
Land	520,408	528,056
Construction in progress	71,499	100,848
Other property, plant and equipment, net	28,458	32,828
Total property, plant and equipment, net	1,712,318	1,800,170
Intangible assets	62,549	69,830
Investments and other assets:		
Investments in securities	654,797	565,053
Deferred tax assets	64,064	50,034
Other assets	86,172	106,873
Allowance for doubtful accounts	(5,647)	((5,964))
Total investments and other assets	799,387	715,996
Deferred assets	997	1,426
Total assets	3,976,644	3,918,317

	As of March 31, 2011	(million yen) As of March 31, 2010
(Liabilities and shareholders' equity)		
Current liabilities:		
Notes and accounts payable	353,865	344,336
Short-term borrowings	229,652	133,802
Commercial paper	27,994	13,997
Current portion of corporate bonds	60,000	70,000
Other current liabilities	368,163	368,870
Total current liabilities	1,039,675	931,006
Long-term liabilities:		
Corporate bonds	289,997	269,996
Convertible bonds	300,000	300,000
Long-term borrowings	588,768	680,677
Deferred tax liability	8,743	8,155
Deferred tax liabilities on revaluation reserve	12,355	12,397
Accrued retirement benefits	127,605	135,086
Reserve for special repairs	35,420	34,134
Allowance for losses on specific business	35,572	39,519
Others	60,194	41,444
Total long-term liabilities	1,458,658	1,521,411
(Net assets)		
Owners' equity:		
Common stock	147,143	147,143
Capital surplus	651,964	657,258
Retained earnings	1,081,697	1,039,399
Treasury stock, at cost	(415,890)	(426,602)
Total owners' equity	1,464,913	1,417,198
Accumulated other comprehensive income:		
Net unrealized gains on securities	7,878	33,392
Deferred earnings on hedges	29	(52)
Revaluation reserve for land, net of tax	12,097	12,004
Translation adjustments	(47,324)	(40,292)
Total accumulated other comprehensive income	(27,318)	5,051
Minority interests	40,715	43,648
Total net assets	1,478,310	1,465,898
Total liabilities and net assets	3,976,644	3,918,317

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Fiscal 2010	Fiscal 2009
	(million yen)	
Net sales	3,195,560	2,844,356
Cost of sales	2,765,721	2,505,746
Selling, general and administrative expenses	247,028	249,835
Operating income	182,810	88,775
Non-operating income:		
Interest income	837	619
Dividends received	5,933	6,699
Rent receivable	6,882	7,009
Profit on inventories	-	4,269
Equity in earnings of affiliates	16,312	6,442
Other, net	16,903	15,030
Non-operating expense:		
Interest expense	16,463	19,463
Foreign exchange loss	9,388	6,930
Loss on disposal/sales of property, plant and equipment	12,838	12,665
Other, net	25,183	20,496
Ordinary income	165,805	69,289
Extraordinary income (loss):		
Profit on sales of property, plant and equipment, etc.	-	3,563
Profit on sales of investments in securities	-	4,996
Gain on negative goodwill	3,755	-
Effect of applying accounting standard for asset retirement obligations	(5,306)	-
Loss on impairment of property, plant and equipment	(8,124)	(3,242)
Write-down of investments in securities	(4,787)	-
Provision for allowance for losses from lawsuits	(7,713)	-
Extraordinary retirement benefit	-	(3,652)
Loss due to disaster	(28,361)	-
Income before income taxes and minority interests	115,267	70,952
Income taxes:		
Current	32,060	17,015
Deferred	21,349	4,404
Quarterly net income before minority interests	61,856	-
Minority interests	3,247	3,873
Net income	58,608	45,659

Consolidated Statements of Comprehensive Income

	Fiscal 2010	Fiscal 2009
Net income before minority interests	61,856	-
Other comprehensive income		
Net unrealized gains on securities	(25,057)	-
Deferred earnings on hedges	103	-
Translation adjustments	(7,295)	-
Equivalent share of gain/loss to equity method affiliates	(522)	-
Total other comprehensive income	*2 (32,770)	-
Comprehensive income	*1 29,086	-
(breakdown)		
Comprehensive income attributable to parent shareholder	26,145	-
Comprehensive income attributable to minority shareholders	2,940	-

(3) Consolidated Statement of Changes in Net Assets

	Fiscal 2010	(million yen) Fiscal 2009
Owners' equity:		
Common stock:		
Balance at the beginning of the period	147,143	147,143
Changes during current period:		
Total current changes	-	-
Balance at the end of the period	147,143	147,143
Capital surplus:		
Balance at the beginning of the period	657,258	657,387
Changes during current period:		
Disposal of treasury stock	(5,294)	(128)
Total current changes	(5,294)	(128)
Balance at the end of the period	651,964	657,258
Retained earnings (Deficit):		
Balance at the beginning of the period	1,039,399	1,005,066
Changes during current period:		
Dividends	(21,165)	(15,876)
Net income	58,608	45,659
Increase by newly consolidated or deconsolidated subsidiaries	5,345	1,798
Decrease by newly consolidated or deconsolidated subsidiaries	(398)	-
Transfer from land revaluation account	(92)	2,750
Total current changes	42,297	34,332
Balance at the end of the period	1,081,697	1,039,399
Treasury stock, at cost:		
Balance at the beginning of the period	(426,602)	(426,649)
Changes during current period:		
Acquisition of treasury stock	(797)	(323)
Disposal of treasury stock	11,509	370
Total current changes	10,712	46
Balance at the end of the period	(415,890)	(426,602)

(million yen)

	Fiscal 2010	Fiscal 2009
Total shareholders' equity:		
Balance at the beginning of the period	1,417,198	1,382,947
Changes during current period:		
Dividends	(21,165)	(15,876)
Net income	58,608	45,659
Acquisition of treasury stock	(797)	(323)
Disposal of treasury stock	6,215	241
Increase by newly consolidated or deconsolidated subsidiaries	5,345	1,798
Decrease by newly consolidated or deconsolidated subsidiaries	(398)	-
Transfer from land revaluation account	(92)	2,750
Total current changes	47,715	34,250
Balance at the end of the period	1,464,913	1,417,198
Accumulated other comprehensive income:		
Net unrealized gains on securities:		
Balance at the beginning of the period	33,392	(12,575)
Changes during current period:		
Net changes of items other than shareholders' equity	(25,514)	45,968
Total current changes	(25,514)	45,968
Balance at the end of the period	7,878	33,392
Deferred earnings on hedges:		
Balance at the beginning of the period	(52)	(1,221)
Changes during current period:		
Net changes of items other than shareholders' equity	82	1,168
Total current changes	82	1,168
Balance at the end of the period	29	(52)
Revaluation reserve for land, net of tax:		
Balance at the beginning of the period	12,004	14,755
Changes during current period:		
Net changes of items other than shareholders' equity	92	(2,750)
Total current changes	92	(2,750)
Balance at the end of the period	12,097	12,004
Translation adjustments:		
Balance at the beginning of the period	(40,292)	(48,010)
Changes during current period:		
Net changes of items other than shareholders' equity	(7,031)	7,718
Total current changes	(7,031)	7,718
Balance at the end of the period	(47,324)	(40,292)

	Fiscal 2010	(million yen) Fiscal 2009
Total accumulated other comprehensive income:		
Balance at the beginning of the period	5,051	(47,052)
Changes during current period:		
Net changes of items other than shareholders' equity	(32,370)	52,104
Total current changes	(32,370)	52,104
Balance at the end of the period	(27,318)	5,051
Minority interests:		
Balance at the beginning of the period	43,648	42,145
Changes during current period:		
Net changes of items other than shareholders' equity	(2,933)	1,502
Total current changes	(2,933)	1,502
Balance at the end of the period	40,715	43,648
Total net assets:		
Balance at the beginning of the period	1,465,898	1,378,041
Changes during current period:		
Dividends	(21,165)	(15,876)
Net income	58,608	45,659
Acquisition of treasury stock	(797)	(323)
Disposal of treasury stock	6,215	241
Increase by newly consolidated or deconsolidated subsidiaries	5,345	1,798
Decrease by newly consolidated or deconsolidated subsidiaries	(398)	-
Transfer from land revaluation account	(92)	2,750
Net changes of items other than shareholders' equity	(35,303)	53,606
Total current changes	12,411	87,857
Balance at the end of the period	1,478,310	1,465,898

(4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal 2010	Fiscal 2009
Cash flows from operating activities:		
Income before income taxes and minority interests	115,267	70,952
Depreciation and amortization	246,666	248,374
Changes in reserves	6,305	(48,903)
Interest and dividend income	(6,770)	(7,318)
Interest expense	16,463	19,463
Profit on sales of property, plant and equipment	-	-
Profit on sales of shares of affiliate companies	-	-
Loss on impairment of property, plant and equipment	-	-
Write-down of investments in securities	-	-
Loss on liquidation of affiliates	-	-
Provision for allowance for losses from lawsuits	-	-
Provision for allowance for losses on specific business	-	-
Changes in accounts receivable	(74,259)	(13,739)
Changes in operating receivables and trade liabilities	-	-
Changes in inventories	(42,275)	200,622
Changes in accounts payable	(9,212)	6,974
Other, net	30,729	21,444
Sub total	282,913	497,870
Interest and dividend income received	12,746	11,305
Interest paid	(16,858)	(20,567)
Income taxes paid	23,801	(99,059)
Other, net	-	-
Net cash provided by operating activities	302,603	389,548
Cash flows from investing activities:		
Payments for purchase of property, plant, equipment and intangible assets	(186,618)	(233,441)
Proceeds from sales of property, plant, equipment and intangible assets	11,398	8,628
Payments for purchase of investments in securities	(130,303)	(52,452)
Proceeds from sales of investments in securities	999	7,561
Other, net	2,240	32,978
Net cash used in investing activities	(302,282)	(236,725)

	Fiscal 2010	Fiscal 2009
		(million yen)
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Cash flows from financing activities:		
Net income (decrease) in short-term borrowings	1,038	2,350
Changes in commercial paper	13,996	(161,938)
Changes in short-term borrowings and commercial paper	-	-
Proceeds from long-term borrowings	130,850	11,367
Repayments of long-term borrowings	(128,402)	(180,948)
Issuance of corporate bond	80,000	80,000
Redemption of corporate bonds	(70,040)	(48,040)
Acquisition of treasury stock	(779)	(287)
Payments for dividends by parent company	(21,324)	(16,183)
Other, net	17,734	(7,937)
Net cash used in financing activities	23,073	(321,617)
<hr/>		
Effect of exchange rate change on cash and cash equivalents	(7,024)	(5,436)
Net decrease in cash and cash equivalents	16,369	(174,231)
Cash and cash equivalents at beginning of the year	32,342	206,605
Changes in cash and cash equivalents	332	(32)
by newly consolidated or deconsolidated subsidiaries		
Cash and Cash equivalents at end of the year	49,043	32,342
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(5) Notes pertaining to the presumption of a going concern
There are no items this period.

(6) Significant accounting policies for preparing consolidated financial statements

[1] Changes in consolidation scope and application of the equity method

a) Number of consolidated subsidiaries: 195

Added: 10

Excluded: 13

b) Companies accounted for by the equity method: 44

Added: 3

Excluded: 0

[2] Changes in accounting standards

a) Valuation standards and method for significant assets

Inventory assets

JFE mainly applies the cost method based on the periodic average method.

b) Goodwill write-off method and period

JFE completes goodwill write-offs in 5 years by booking evenly divided costs each year. Minor goodwill items are written off in the immediate business period.

Except for “[1] Changes in consolidation scope and application of the equity method” and “[2] Changes in accounting standards a) Valuation standards and method for significant assets and b) Goodwill write-off method and period” above, items are omitted for any information that did not change significantly since the annual securities report was submitted on June 28, 2010.

(7) Changes in the principles, procedures and presentation method for accounting treatment in the preparation of quarterly consolidated financial statements

[1] Application of Accounting Standard for Measurement of Inventories

The company is applying the Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, September 26, 2008) from this fiscal year. Inventories previously determined by the last-in first-out method were determined by the periodic average method. Accordingly, operating income, ordinary income and quarterly net income before income taxes and minority interests increased 2,933 million yen each in fiscal 2010.

[2] Application of Accounting Standard for Asset Retirement Obligations

The company is applying the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18, March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No.21, March 31, 2008) from this fiscal year. Accordingly, operating income, ordinary income and quarterly net income before income taxes and minority interests in fiscal 2010 decreased 86 million yen, 173 million yen and 5,479 million yen, respectively.

[3] Application of Accounting Standard for Equity Method of Accounting for Investments and

Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

The company is applying the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ PITF No.24, March 10, 2008) from this fiscal year, based on which it revised consolidated results where required. The changes did not affect ordinary income or quarterly net income before income taxes and minority interests.

[4] Application of Accounting Standard for Business Combinations

The company is applying the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, December 26, 2008), the Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, December 26, 2008), the Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, December 26, 2008) and the Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No.10, December 26, 2008) from this fiscal year.

(8) Items subject to a change in presentation

(Items in consolidated statements of comprehensive income)

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

*1 Comprehensive income in fiscal 2009

Comprehensive income attributable to parent shareholder	100,514 million yen
Comprehensive income attributable to minority shareholders	3,735 million yen
Total	104,249 million yen

*2 Other comprehensive income in fiscal 2009

Net unrealized gains on securities	42,667 million yen
Deferred earnings on hedges	1,236 million yen
Translation adjustments	7,434 million yen
Equivalent share of gain/loss to equity-method affiliates	3,377 million yen
Total	54,716 million yen

Additional note

The company is applying the Accounting Standards for Presentation of Comprehensive Income (ASBJ Statement No. 25, June 30, 2010) from this fiscal year. Regarding accumulated other comprehensive income and total accumulated other comprehensive income in the previous fiscal year, however, values are reported in terms of “valuation and translation adjustments” and “total of valuation and translation adjustments.”

4. Reference

1. Consolidated Results

(billion yen)

Items	Fiscal 2009	Fiscal 2010	Change	
Steel Business	2,281.4	2,747.4	466.0	20.4%
Engineering Business	294.2	265.1	(29.1)	(9.9)%
Shipbuilding Business	286.7	210.8	(75.9)	(26.5)%
Urban Development Business	26.9	13.3	(13.6)	(50.6)%
LSI Business	24.6	24.1	(0.5)	(2.0)%
Adjustments	(69.7)	(65.3)	4.4	-
Net Sales	2,844.3	3,195.5	351.2	12.3%
Operating Income	88.7	182.8	94.1	106.1%
Other Income (Expenses)	(19.4)	(17.0)	2.4	-
Steel Business	32.3	134.2	101.9	315.5%
Engineering Business	13.3	12.2	(1.1)	(8.3)%
Shipbuilding Business	21.5	17.1	(4.4)	(20.5)%
Urban Development Business	(1.8)	(0.7)	1.1	-
LSI Business	(0.9)	1.6	2.5	-
Adjustments	4.7	1.1	(3.6)	-
Ordinary Income (Loss)	69.2	165.8	96.6	139.6%
Extraordinary Profit (Loss)	1.6	(50.5)	(52.1)	-
Income before income taxes and minority interests (Loss)	70.9	115.2	44.3	62.5%
Tax Expense and Minority Interest	(25.2)	(56.6)	(31.4)	-
Net Income (Loss)	45.6	58.6	13.0	28.5%

2. Consolidated financial indices

	Fiscal 2009	Fiscal 2010	Change
Return on Sales (ROS) *1	2.4%	5.2%	2.8%
Return on Assets (ROA) *2	2.2%	4.6%	2.4%
Debt Outstanding	1,468.4 billion yen	1,496.4 billion yen	28.0 billion yen
Shareholders' Equity	1,422.2 billion yen	1,437.5 billion yen	15.3 billion yen
D/E Ratio	103.2%	104.1%	0.9%
D/E Ratio*3	75.5%	76.5%	1.0%

*1 ROS = Ordinary Income / Net Sales

*2 ROA = Ordinary Income before Interest Expenses / Total Assets (average)

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

3. Crude Steel Production (JFE Steel)

(million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2009	Non-consolidated	5.12	6.90	12.01	6.95	6.87	13.81	25.83
	Consolidated	5.72	7.56	13.28	7.59	7.48	15.08	28.35
FY 2010	Non-consolidated	7.26	7.09	14.35	7.21	7.24	14.45	28.80
	Consolidated	8.01	7.70	15.70	7.89	7.88	15.77	31.47

4. Shipments (JFE Steel on non-consolidated basis)

(million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2009		4.34	6.28	10.62	6.20	6.36	12.56	23.18
FY 2010		6.54	6.61	13.14	6.33	6.77	13.10	26.25

5. Export Ratio on Value Basis (JFE Steel on non-consolidated basis)

(%)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2009		42.3	47.7	45.3	45.4	46.3	45.8	45.6
FY 2010		49.5	45.2	47.2	43.2	48.3	45.7	46.5

6. Foreign Exchange Rate (Yen/US dollar)

(JPY/USD)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2009		97.5	94.7	96.1	89.5	90.4	90.0	93.0
FY 2010		92.8	86.6	89.7	83.0	81.8	82.4	86.0

7. Average Selling Price (JFE Steel on non-consolidated basis)

(thousand yen/ton)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2009		75.8	67.9	71.1	69.2	69.6	69.4	70.2
FY 2010		74.6	81.6	78.1	79.3	75.9	77.6	77.9

8. Engineering Business Orders (including inter-segment transactions)

(billion yen)

FY 2010	256.4	8.2% decrease from previous year
Backlog as of March 31, 2011	251.4	3.5% decrease from previous year

9. Shipbuilding Business Orders (including inter-segment transactions)

(billion yen)

FY 2010	81.5	37.2% increase from previous year
Backlog as of March 31, 2011	349.6	27.0% decrease from previous year

**10. Debt Outstanding, Interest Expense, and Cash and Deposits
(JFE Holdings on a consolidated basis)**

<u>Debt outstanding</u>		<u>Interest expense</u>	
As of	(billion yen)		(billion yen)
March 31, 2010	1,468.4	FY 2009	(19.4)
March 31, 2011	1,496.4	FY 2010	(16.4)
<u>Cash and deposits</u>			
As of	(billion yen)		
March 31, 2010	31.3		
March 31, 2011	49.5		

11. Capital Investment and Depreciation Cost (JFE Holdings on a consolidated basis)

(billion yen)		
	FY 2010	
Capital investment	180.4	(on construction basis)
Depreciation	246.6	

12. Number of employees (JFE Holdings on a consolidated basis)

As of	
March 31, 2010	53,892
March 31, 2011	54,400

13. Breakdown of Changes in Ordinary Income (FY 2011 compared to FY 2010)

				(billion yen)
		<u>FY 2009</u>	⇒	<u>FY 2010</u>
Steel Business	101.9	32.3	⇒	134.2
Cost reduction	50.0			
Raw materials	(490.0)			
Sales volume, price and product mix	290.0			
Unrealized holding gains on inventories	230.0			
Others	21.9			
Engineering Business	(1.1)	13.3	⇒	12.2

Reported ordinary income of 12.2 billion yen, down from the previous year, due to declining construction projects and prices amidst unfavorable business conditions, despite continued efforts to improve earnings.

Shipbuilding Business	(4.4)	21.5	⇒	17.1
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Reported ordinary income of 17.1 billion yen, down from the previous year, due to a substantially reduced reversal of allowance for losses on construction contracts, despite further efforts to improve earnings by cutting costs through higher productivity.

Urban development Business	1.1	<u>FY 2009</u> (1.8)	⇒	<u>FY 2010</u> (0.7)
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Reported an ordinary loss of 700 million yen, an improvement over the previous year, due to a mild recovery in the condominium market.

LSI Business	2.5	(0.9)	⇒	1.6
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Reported ordinary income of 1.6 billion yen, an improvement over the previous year, due to structural reforms leading to lower fixed costs.

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