



「挑戦」
Challenging Spirit

JFE GROUP BUSINESS REPORT 2009

JFE GROUP BUSINESS REPORT 2009

「柔軟」
Flexibility

「誠実」
Sincerity



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Organizations Covered by the Report and Included in the Compilation of Data

This report covers JFE Holdings, Inc., Operating Companies (JFE Steel Corporation, JFE Engineering Corporation, JFE Urban Development Corporation, Kawasaki Microelectronics, Inc., JFE R&D Corporation) and their respective consolidated subsidiaries and affiliates subject to the equity method (i.e., 206 consolidated subsidiaries and 39 affiliates subject to the equity method). However, consolidated subsidiaries of these operating companies are excluded from the scope of environmental performance data unless specified otherwise.

*Data for the year ended March 31, 2003 and before was compiled by adding together the data of Kawasaki Steel Corp. and NKK Corp. before the merger.

Period Subject to the Report

In principle, this report covers the year ended March 31, 2009 (from April 1, 2008 to March 31, 2009).

Some sections include activities in the year ending March 31, 2010.

Caution Regarding Forward-Looking Statements

This report contains forward-looking statements regarding future plans, strategies and other activities of the JFE Group, which are exposed to risks and uncertainties. Actual results may substantially differ from these forward-looking statements, due to the impact of various factors including, but not limited to, the economic climate and market environment surrounding the business sectors in which the JFE Group operates, exchange rates, and trends in the demand for products and services.

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Sincerity

Corporate Vision

The JFE Group—contributing to society with the world's most innovative technology

Corporate Values

A Challenging Spirit, Flexibility, Sincerity

Contributing to society with
innovative technologies

挑戦

Challenging Spirit



Building the Foundations of Society



Heading into the Future

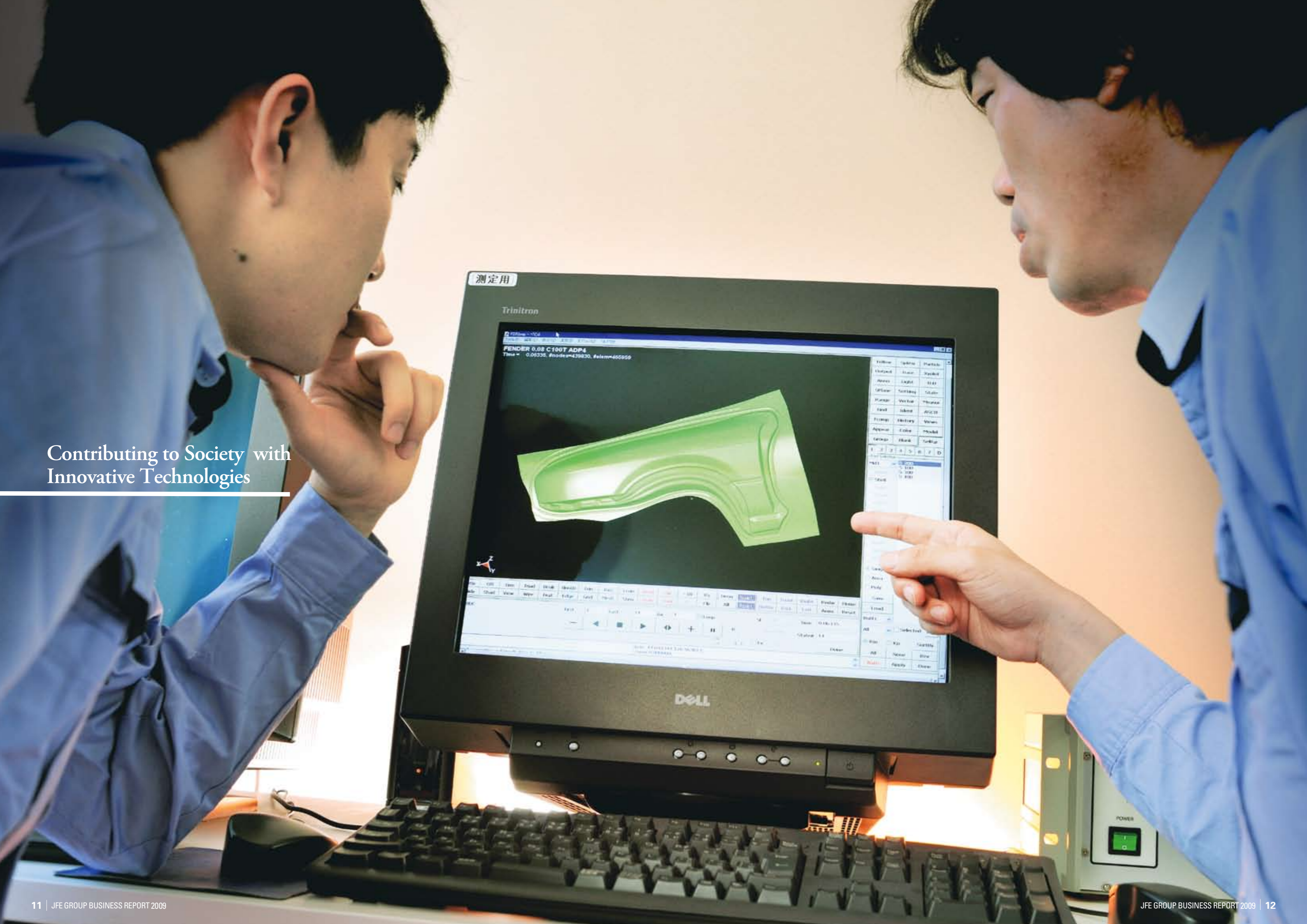


Contributing to society with
innovative technologies

柔軟
Flexibility

Seeing Change as an Opportunity

Contributing to Society with Innovative Technologies



Contributing to society with
innovative technologies

誠実
Sincerity

Towards Harmonious Coexistence







Fumio Sudo
President & CEO
JFE Holdings, Inc.

To All Stakeholders

I would like to begin by expressing my sincere appreciation for your sustained and steadfast support.

A world-leading enterprise founded on the core competencies of steel and engineering, the JFE Group continues to strengthen and expand its earnings base while maintaining a sound management system that promotes sustainable growth and operational transparency.

Our First Medium-Term Business Plan (April 2003—March 2006) and Second Medium-Term Business Plan (April 2006—March 2009) have allowed us to make steady progress in our drive to establish a highly profitable corporate structure while laying the foundation for future growth. The results of our efforts have been significant and we are now recognized as one of the most profitable manufacturing groups in Japan.

Rapid Response to Dramatically Changing Business Environment

In last year's message, I pointed out that we needed to respond to the dramatic changes taking place in our business environment and to act promptly to address trends such as sharply higher raw material's prices, the financial crisis in the United States, and the subsequent global economic downturn.

My concerns proved valid. In fact, as the real economy worsened rapidly, the impetus to take action came much earlier and was much stronger than I had expected.

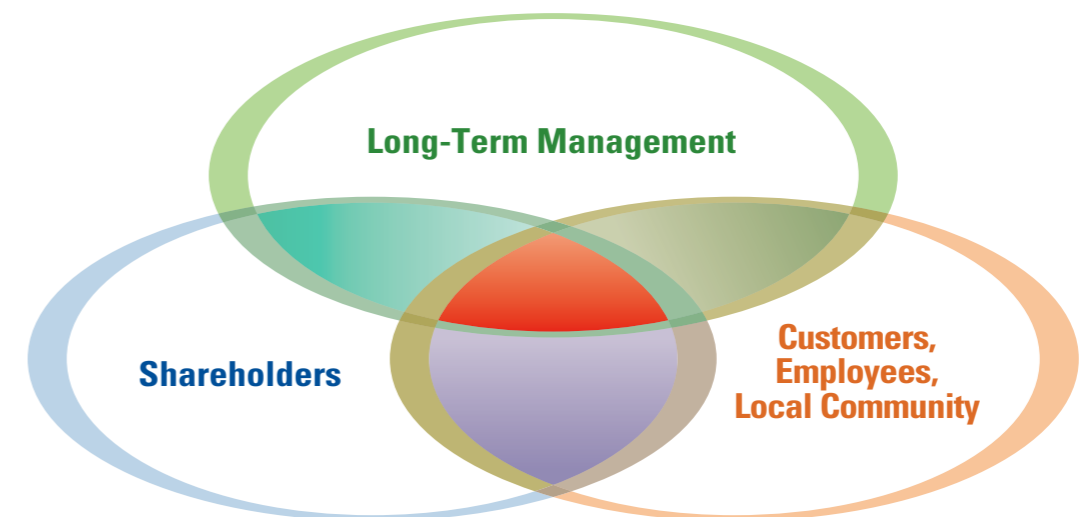
The JFE Group responded to the first signs of the re-

cession by reducing inventories and expenses, curtailing capital investment and immediately cutting other outlays as part of a comprehensive effort to lower its breakeven point. We also took steps to cope with shrinking demand, such as reducing production by suspending operations at two JFE Steel blast furnaces.

During the first half of the fiscal year ended March 31, 2009, we focused on price negotiations for raw materials and finished products, while in the second half we concentrated on emergency measures to deal with worsening business conditions. Consequently, we were able to achieve net sales of more than 3.9 trillion yen and ordinary income of 400.5 billion yen for the full fiscal year.

Three Overlapping Circles

The JFE Group aims to achieve sustainable growth while building long-term, trust-based relationships with shareholders, customers, employees, local communities and other stakeholders. We seek to contribute to society by generating revenue and profits through our business activities to fulfill our tax and employment obligations, both key aspects of our fundamental corporate social responsibility (CSR). In addition, we strive to improve corporate governance and compliance to ensure impartiality, fairness and transparency; to address environmental issues; and to provide a positive working environment that inspires our employees.



Medium-to Long-Term Growth Strategy on Track

Although economic conditions continue to deteriorate since last year, we remain committed to our medium- to long-term goal of “gearing up for further growth.” With this goal, we continue to implement growth strategies according to developments in the business environment. Furthermore, we view the current challenges as an opportunity to reflect back on the fundamental principles underlying our Corporate Vision and Corporate Values as we work to improve profitability and corporate value over the medium to long term.

Corporate Vision
The JFE Group— contributing to society with the world’s most innovative technology

Corporate Values
A Challenging Spirit, Flexibility, Sincerity

We released our near-term business strategies in April this year. An outline of the policy follows.

1. Developing Innovative Technology that Anticipates Future Needs

We have progressively reviewed our R&D system and re-organized JFE R&D Corporation. Our aim is to accelerate development of new products, anticipating the changing needs of customers and society. With a ten-year outlook, we also intend to develop innovative process and application technologies along with revolutionary new products that meet tomorrow’s needs. Further, we continue to take up the challenge of conserving energy and other resources by developing the world’s most advanced and sophisticated environmental technologies.

Overall, we will reinforce our research and development structure to enhance our profitability as the No. 1 supplier of high-value-added products.

2. Building Foundation for Growth, Moving Forward with Confidence

(1) JFE Steel Corporation

In response to projected demand for high-end steel over the medium to long term, JFE Steel has prepared a new domestic production structure capable of producing 33 million tons of crude steel per year (37 million tons on a consolidated basis). This structure will enable business and earnings to grow rapidly once the economy begins to recover. In addition, JFE Steel continues to evaluate the feasibility and optimal timing for possible expansion overseas, especially in regions with raw material resources or strong market potential. By laying the groundwork for new facilities and strategic investments, the company will be fully prepared to make timely decisions when opportunities arise.

JFE Steel will also acquire resource rights to ensure a stable supply of competitive raw materials while expanding use of low-grade raw materials. Paving the way for further growth, the company will build a sales system and take steps to enhance customer satisfaction while cultivating

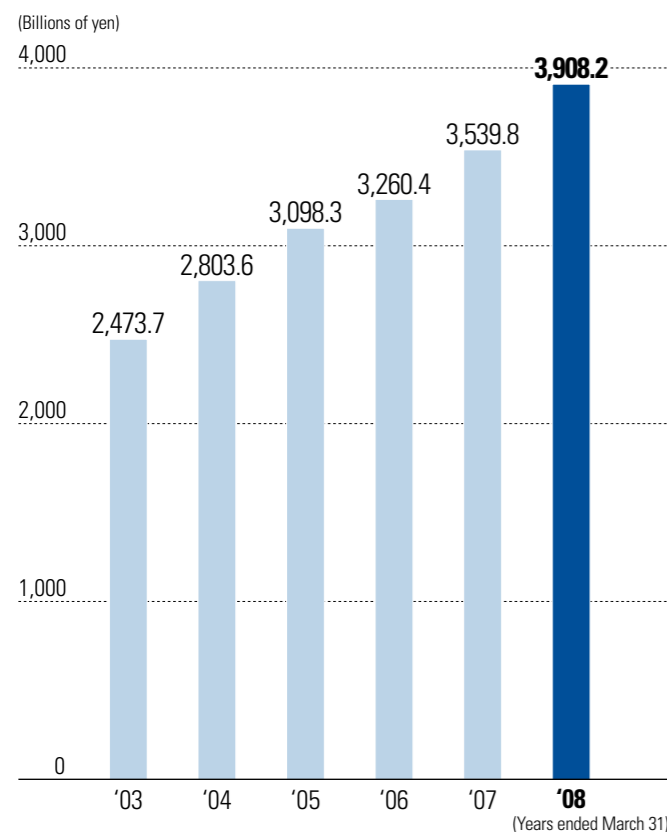
human resources equal to the challenge of globalization. Furthermore, JFE Steel will deploy its best technologies across all operations to ensure continuous improvement of its manufacturing capabilities.

(2) JFE Engineering Corporation

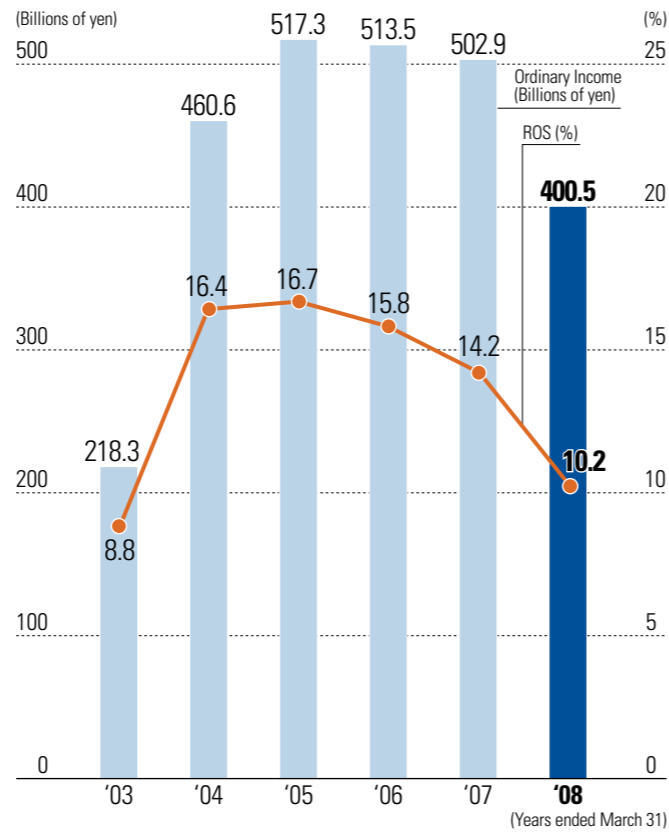
JFE Engineering is expanding its business activities by significantly strengthening the competitiveness of its mainstay products, which include pipelines, urban environmental plants and bridges. The company is also responding to rising global demand in the environmental and energy sectors to achieve growth and improve earnings ability. Toward that end, the company is working diligently to build alliances that will strengthen marketing capabilities and accelerate technology development.

JFE Engineering has thoroughly overhauled its overseas business with a focus on developing environmental and water-related businesses in China, Southeast Asia and Europe. The company will develop human resources, and expand and strengthen cooperation with local partners, to support these efforts.

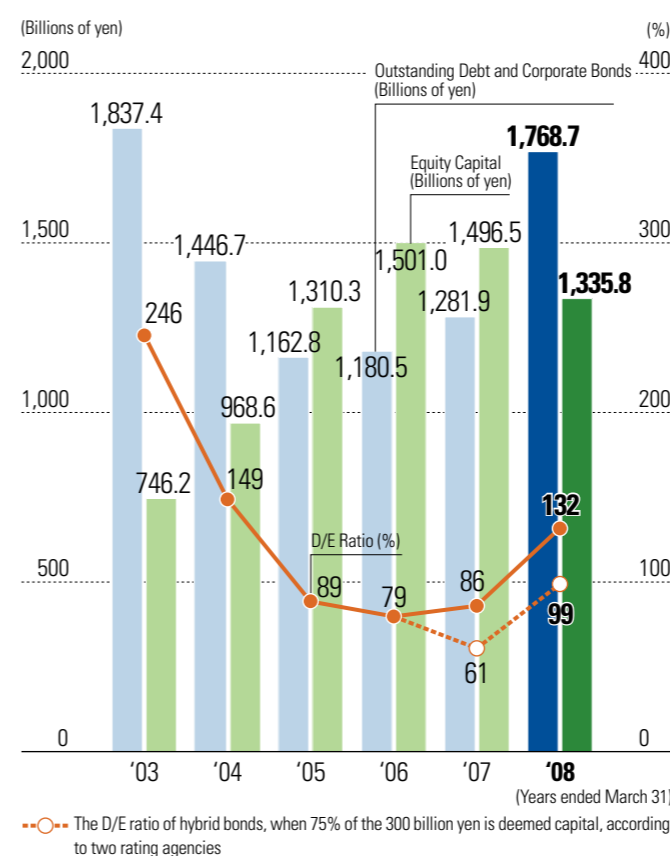
Net Sales



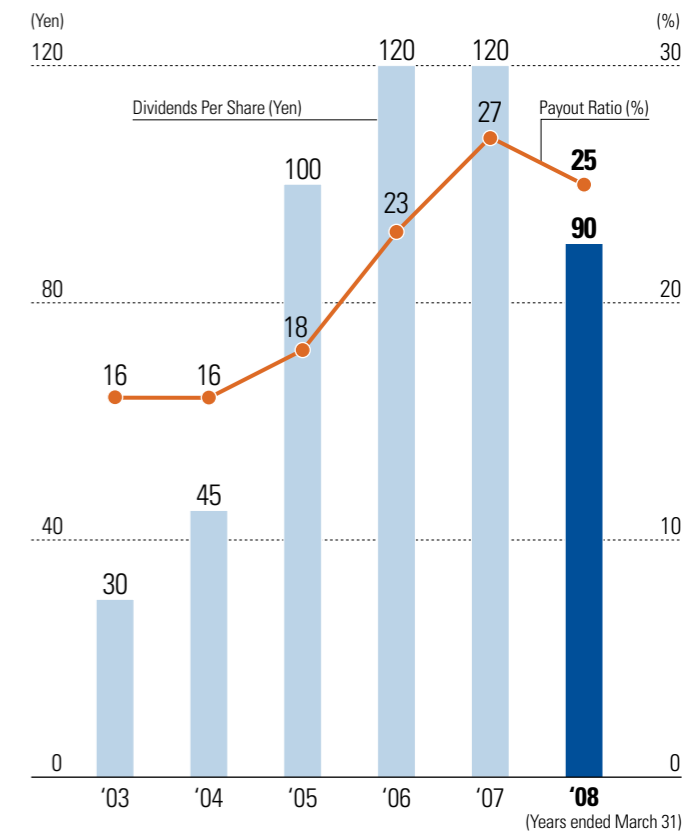
Ordinary Income/Return on Sales (ROS)



Outstanding Debt and Corporate Bonds, Equity Capital and Debt-to-Equity Ratio



Dividends Per Share and Payout Ratio





(3) Universal Shipbuilding Corporation

As an intense competition for orders persists, Universal Shipbuilding Corporation is likely to continue facing strong business rivalry from manufacturers in South Korea and China. Taking advantage of more than four years' worth of booked orders, Universal Shipbuilding will strive to reduce costs, building a solid foundation from which it can achieve profitability in the fiscal year ending March 31, 2010, and maintain stable earnings. It also seeks to improve its ability to withstand economic fluctuations by flexibly adjusting production volumes.

Universal Shipbuilding will focus on its strengths—large bulkers and tankers—to become the world's top shipbuilder in terms of cost competitiveness and product development.

Furthermore, the company will continue seeking opportunities to partner with and consolidate operations with other companies to ensure future growth.

3. Review on Group Management System

We are reviewing our group management system in several areas.

(1) JFE Urban Development Corporation

JFE Urban Development has achieved its initial business purpose of putting to productive use, and thereby enhancing the value of, idle property owned by the Group, mainly through the development of condominium projects. Moving forward, the company will focus on the practical use of real estate assets held by the company and on positioning itself to function efficiently within the JFE Group as a whole.

(2) Kawasaki Microelectronics Inc.

Kawasaki Microelectronics will make sweeping changes to enhance profitability and ensure its survival, including the closure of its Utsunomiya Works by March 31, 2010. Moving forward, the company will consider options such as applying its superior technology to partnerships with other companies.

(3) Affiliates under Operating Companies

To maximize the efficiency of Group operations overall, we have launched a reorganization initiative aimed at eliminating redundancies, regardless of area of operations.

4. CSR Promotion and Corporate Governance

The JFE Group is working hard to ensure thorough compliance, tackle environmental issues, and ensure safety, as key aspects of a trust-based relationship with society.

Through our First and Second Medium-Term Business Plans, we improved corporate governance by building and enhancing various systems and structures. In the future, we will emphasize impartiality, fairness and transparency, and manage the Company in ways that serve the interests of shareholders.

For example, we have been working toward the early disclosure of our year-end results. Immediately after our merger, we announced results at the end of May 2003. This year, we succeeded in pushing forward our announcement to April 24. We maintain the position that any material information concerning business operations should be disclosed promptly and equitably.

We are committed to maintaining efficient holding company operations with a staff of no more than fifty people. Next spring we will relocate the holding company to the premises of JFE Steel, the largest of the operating companies, to enhance functionality.

Japan's manufacturing sector must create more opportunities for all workers, regardless of age, sex, etc. The JFE Group actively tries to promote older and physically challenged employees through initiatives such as the Senior Expert Program. We will continue to build in these efforts.

5. Improvement in Financial Condition and Returns to Shareholders

(1) Improving Financial Condition

As of March 31, 2009, our interest-bearing debt totaled 1,768.7 billion yen, resulting in a D/E ratio of 98.9%. We must take additional steps to improve our financial condition with the aim of making the necessary investments for growth and business development.

For the present, we will focus on maintaining our high credit rating and ensuring a sound financial position by improving our operating margin and cash flow, and by reducing interest-bearing debt to achieve a 50% D/E ratio.

(2) Returning Profits to Shareholders

One goal of our Second Medium-Term Business Plan was

a consolidated dividend payout ratio of 25%. During the three years of this plan, we maintained a dividend payout ratio of 25%, acquired more than 400 billion yen in treasury stock—a decision that was not included in the initial plan—and, at 80%, achieved a high level of total return.

Returning profits to shareholders remains one of our most important priorities. However, faced with growing economic uncertainty and the need to invest for the future, we will give precedence to maintaining and improving our financial soundness.

Opportunity in Times of Crisis

Some people describe the current recession as a "once-in-a-century" event. I believe that such comments can provide an excuse for dodging responsibility or giving up. The JFE Group takes a more forward-looking, positive viewpoint and believes that tough economic conditions provide an opportunity to create the true value that is at the core of manufacturing.

Technology and human resources are the key elements that underpin manufacturing worldwide. Therefore, we believe it essential to develop technology and products, as well as to foster human resources, regardless of economic conditions. These sustained efforts build future capabilities, allow us to meet changes in the business environment, and take on challenges in a flexible manner. As emphasized earlier, our aim is to improve earnings and contribute to society by sharing profits, with tax contributions and provision of employment opportunities: the key aspects of our commitment to social responsibility. In this regard, we pledge to keep our conviction that times of crisis are also times of opportunity firmly in mind.

In the course of its business activities, the JFE Group maintains strong relationships with numerous stakeholders. With your cooperation, we will strive for sustainable growth under a management philosophy that emphasizes people and technology, and will enhance our corporate value.

To this end, we continue to welcome your candid opinions and ideas regarding our activities.

Fumio Sudo
President & CEO, JFE Holdings, Inc.

A World First: Continuous Heat Treatment Processing for Steel Plates

JFE HOP Technology Enhances Utility of High-Performance Steel Plates

Steel plates, JFE Steel's signature product, are used for a wide variety of structures, including gas storage tanks, natural gas pipelines and machinery for construction and industrial use. JFE Steel was the first company in the world to develop and put to practical use processes for continuous steel plate manufacturing ("Super-OLAC" and "HOP"). Uniquely, even heat treatment is conducted continuously. In recognition of the vast improvements in productivity, energy-efficiency and delivery times realized by HOP, JFE Steel was honored with the highest award in the "2008 Prize for Promoting Machine Industry" by the Japan Society for the Promotion of Machine Industry.

HOP: Heat-treatment On-line Process

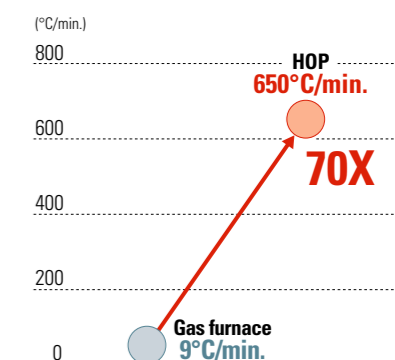


Engineers' Dream—Creating Continuous, Highly Efficient Heat Treatment Process

The trend toward larger plants and facilities, combined with efforts to cut fuel costs and CO₂ emissions, has stimulated demand for thin yet high-strength and easy-to-weld steel plates for use as basic construction materials. Heat treatment is critical to the manufacturing of high-strength steel plates and traditionally has been performed using gas furnaces. To date, however, the productivity of heat treatment has been approximately less than 1/20th that of hot rolling. As such, heat treatment was a barrier retarding the drive to improve the productivity of high-strength steel plates.

JFE Steel took up the challenge of developing a continuous, highly efficient heat treatment process, the dream of every engineer involved in the manufacturing of steel plates.

HOP Heating Rate

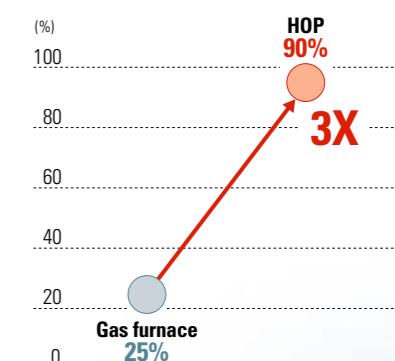


New Method with 70X Heating Rate (Productivity)

The greatest technical challenge in developing a continuous, highly efficient heating process was designing a high-efficiency facility that was as small as possible yet capable of processing steel plates at a level comparable to the hot rolling process. The solution, developed after much trial and error, is an extremely space-efficient induction heating unit capable of a heating rate 70 times faster than the traditional gas furnace.

The unit works according to the same principle employed in household electromagnetic cooktops. A steel plate is passed through a super-large electromagnetic coil and a current is applied to the coil, generating a magnetic field that heats the plate. This technology allows for shorter heating times, taking only 1 minute to reach 650°C and yielding an energy efficiency rate of 90% compared to 70 minutes and 25%, respectively, for the conventional method.

HOP Energy Efficiency



HOP Earns the Highest Award in "The 6th Prize for Promoting Machine Industry"

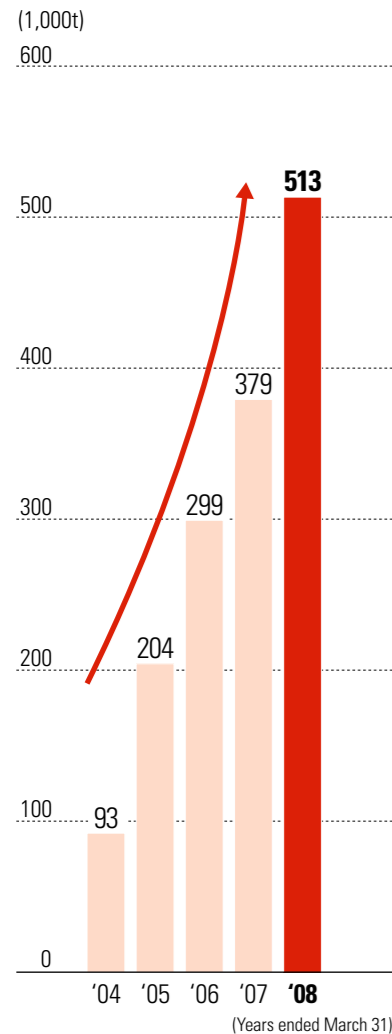
In January 2009, the Japan Society for the Promotion of Machine Industry presented JFE with its top prize, the Minister of Economy, Trade and Industry Prize at the 6th Promoting Machine Industry Awards for its HOP, or Heat-treatment On-line Process, for steel plates. HOP won high marks for uniqueness, innovation and economy. The event marked the first time that the Japan Society for the Promotion of Machine Industry recognized the JFE Group—not to mention the steelmaking industry—with this particular award.



TOPICS



Cumulative Steel Plate Production Using HOP Technology



Synthesizing Experience and Expertise to Develop World's First Continuous Heating Process

Many hurdles stood in the way of the development, but project members with expertise in fields like process and temperature control technology, material research and electronics acted swiftly and flexibly to solve problems one by one.

Their diligent efforts paid off when the world's first Heat-treatment On-line Process (HOP) for steel plates was realized in 2003. HOP is notable for its ability to heat plates as wide as 4.5 m and synchronize with hot rolling lines. This new technology enables mass production and stable supply of high-performance steel plates.

Translating "Only One" Technologies into Environmental and Product Value

— Energy efficiency, higher productivity, shorter delivery times —

JFE Steel's HOP technology uses a new approach to heating that yields significant energy savings and represents a meaningful step forward in preventing global warming. Furthermore, because the HOP process produces high-strength steel plates, customers can reduce their total steel consumption and reduce the weight of vehicles and machinery for construction sites, promoting energy efficiency and reducing CO₂ emissions.

HOP technology has also made possible a series of Only One and Number One products with greatly increased product value. Demand for environmentally friendly, high-performance JFE steel plates has risen rapidly in recent years. The numbers attest to the success of HOP technology: as of April 2009, JFE Steel has produced 500,000 tons of mainly tank, pipeline, and industrial machinery products using this process.

Looking ahead, JFE Steel will continue to deliver new value to customers and other stakeholders through its Only One and Number One technologies and products.

Examples of Only One Products Developed with Super-OLAC and HOP Technologies

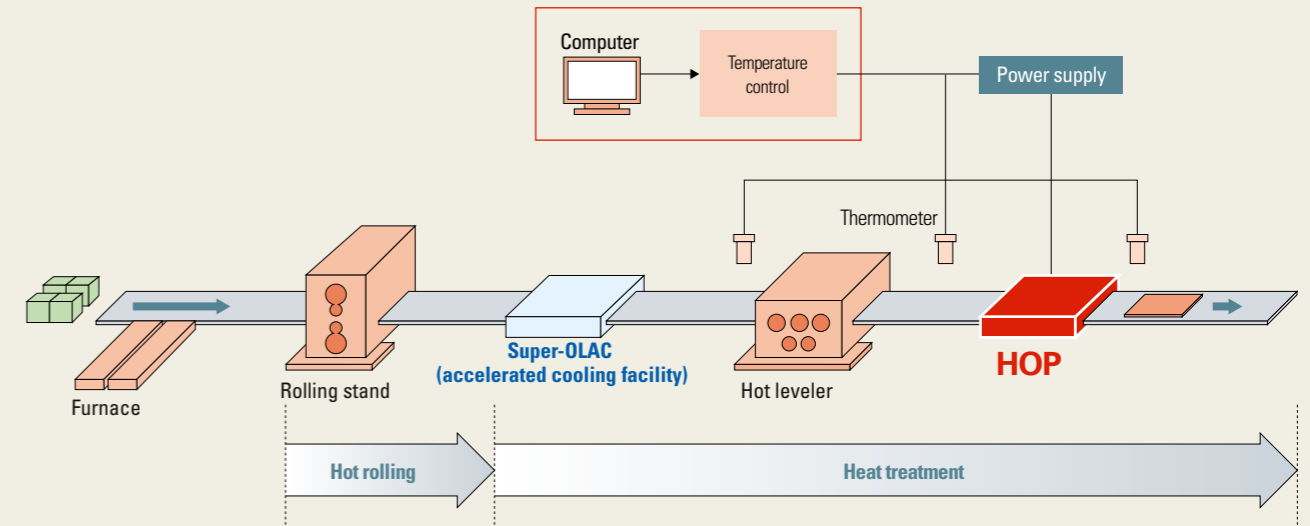
JFE-HIPER — quake-resistant line pipe products

A new conceptual line pipe product "JFE-HIPER" is highly resistant to the localized wrinkling that can result from extraordinary axial and bending forces imposed by earthquakes and other phenomena, and is suitable for use in long-distance pipelines. Winner of the Iwatani Naoji Memorial Award (March 2008).

JFE-HYD960LE and JFE-HYD1100LE — ultra-high-strength steel plate for use in construction and industrial machinery

JFE-HYD960LE and JFE-HYD1100LE are the first steel plate products to offer both ultra-high strength and exceptional fracture-resistance (toughness) and are perfect for use in construction and industrial machinery. Winners of the Japan Institute of Metals Technology Development Prize (September 2008).

Innovative Technologies Developed for HOP



POINT 1

Multiple Short Length Coil Alignment

To prevent degradation in material quality as a result of excessive surface heating, JFE Steel developed a system that employs separated multiple short-length coil alignments to gradually and stably heat steel plates to the desired temperature.

Patent No. 4066652

POINT 2

Reversible Plate Conveyor System

JFE Steel developed a reversible plate conveyor system that allows a steel plate to pass through the same heating coils multiple times, reducing both the amount of space required and energy consumed.

Patent No. 4062183
Patent No. 4066603

POINT 3

Temperature Control Technology

Temperature sensors were placed in various positions along the processing line to achieve precise temperature control of plates during processing. JFE Steel developed a high-precision temperature control system to manage processing time and electricity consumption and monitor steel plate surface temperatures. The system can achieve temperature control accuracy equal to, or even better than, the conventional one.

Patent No. 3945212

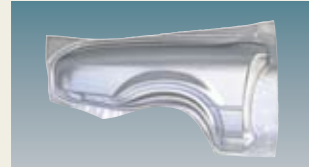


From right
 Minoru Suwa, Product Development
 Masatoshi Sugioka, Operating Technology
 Yoshimichi Hino, Process Development
 Tsunemi Wada, Steel Plate Division Manager
 Akira Tagane, Steel Plate Business Planning Manager

JFE Steel

JAZ

Highly-lubricated automotive galvanized (GA) steel sheets



HISTORY steel tube

Steel tube for automobiles with high formability



Molybdenum Hybrid-Alloyed Steel Powder



JFE Steel Group Companies

Boron nitride



KT Brace

Pin-ended circular hollow section bracing



JFE Urban Development

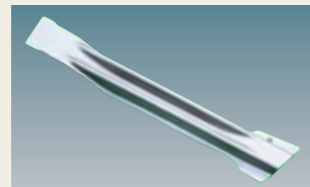
THINK

Private sector-led science park



JFE-CA1180Y

Cold-rolled ultra-HITEN for use in automobile parts



Super Core

Electrical steel sheets for high-frequency applications



HBL385

High-strength TMCP steel plate for construction applications



JFE443CT

Nickel- and molybdenum-free ferritic stainless steel with high corrosion resistance



J-POCKET PILE

Cutoff steel sheet piles with pocket section



Marine Block

Steel byproducts for remedial use in marine environments



NH48MV

Non-heat-treated large rods



JFE Engineering

Wood Chip Biomass Gasification Plant (Licensed by Voelund)



Gas-Clean-DX

New activated carbon adsorption device



JFE Only One Products

The JFE Group offers new value through Only One and Number One technologies and products.

Dual Scattered-Light Sludge Density Meter



CHS (Clathrate Hydrate Slurry) System

Clathrate hydrate slurry thermal energy storage air-conditioning system



Universal Shipbuilding

Minesweeper



Icebreaker "Shirase"



Kawasaki Microelectronics

10G EPON Burst Mode SerDes

ASIC products for fiber-optic networks



The JFE Group

JFE Holdings, Inc., Headquarters of the JFE Group

The JFE Group is comprised of operating companies pursuing business activities under a holding company, JFE Holdings, Inc.

As the holding company, JFE Holdings stands at the center of the Group's integrated governance system. The Company functions as the head office responsible for group-wide strategic functions, risk management, and accountability to the public.

Each operating company conducts its business based on an operating system specifically designed for its industry. This allows the companies to be more competitive and profitable.

As both the holding company and the operating companies fulfill their respective duties, they maximize corporate value for their shareholders and other stakeholders.

JFE Steel Corporation

JFE Steel is an integrated steel producer ranked second in Japan in crude steel production. The company is highly competitive internationally, thanks to the respective strengths of its two major steelworks—one in eastern Japan and another in western Japan. JFE Steel produces and sells a wide range of high-value-added products and Only One and Number One products, taking advantage of its world-class technology and product development capabilities.

JFE Engineering Corporation

JFE Engineering provides high-tech solutions related to energy (pipelines and LNG plants), the environment (urban environmental plants, water/wastewater systems, biomass applications, etc.), steel structures (bridges, steel frames, etc.), and systems planning (industrial machinery, logistics, etc.).

JFE Urban Development Corporation

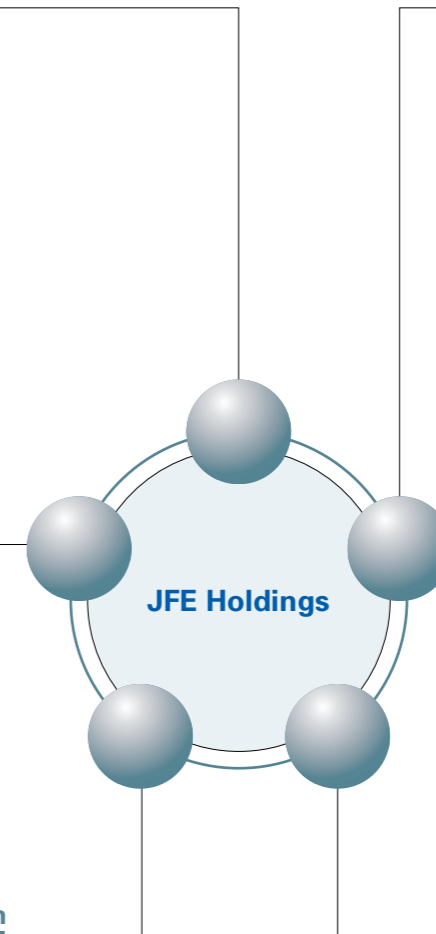
JFE Urban Development redevelops dormant properties, mainly condominiums and improves the effective use and value of the properties owned by the Group.

Universal Shipbuilding Corporation

Universal Shipbuilding has five shipyards and one technical research center. The shipyards construct and recondition large merchant ships, such as tankers; naval ships, such as escort vessels and minesweepers; and icebreakers. Through its thorough marketing activities, the company contributes to industry and society by quickly developing and building ships that satisfy customers.

Kawasaki Microelectronics, Inc.

Kawasaki Microelectronics is an LSI vendor. The company specializes in high-performance, high-value-added Application Specific Integrated Circuits (ASICs). Its strength is in ASICs for LCD panels, and it has a substantial market share worldwide.



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



Members of the Board

Fumio Sudo	President & CEO
Hajime Bada	Member of the Board
Kohei Wakabayashi	Member of the Board
Sumiyuki Kishimoto	Member of the Board
Uichiro Niwa	Member of the Board
Shigeo Asai	Member of the Board

* Mr. Uichiro Niwa and Mr. Shigeo Asai are external members of the Board.

Corporate Auditors

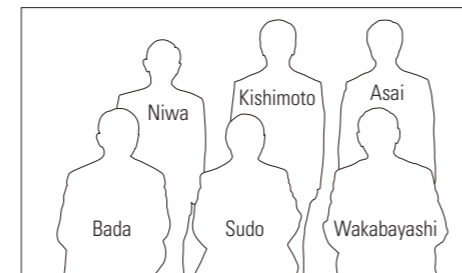
Toshikuni Yamazaki	Full-time Auditor
Kunio Akita	Full-time Auditor
Toshikuni Nishinohara	Corporate Auditor
Takaaki Wakasugi	Corporate Auditor

* Mr. Toshikuni Nishinohara and Mr. Takaaki Wakasugi are external corporate auditors.

Corporate Officers

Fumio Sudo	CEO
President & CEO	
Kohei Wakabayashi	Supervision of the General Administration Dept., Corporate Planning Dept., Finance and Investor Relations Dept., and Comptrollers' Dept.
Executive Vice President	
Hideki Iwanami	In charge of the General Administration Dept. and Comptrollers' Dept.
Senior Vice President	
Shinichi Okada	In charge of the Corporate Planning Dept. and Finance and Investor Relations Dept.
Senior Vice President	

Members of the Board



Management Organization and Internal Control

Management Organization

JFE Holdings, Inc., (the holding company for the JFE Group) has six board members (two of whom are external) and four corporate auditors (two of whom are external). Since its General Meeting of Shareholders in June 2007, the Company has included two external board members to enhance objectivity and transparency. In addition, the Board of Corporate Auditors, half of whom are from outside the Company, is monitoring management more closely and working to strengthen it.

JFE Holdings, JFE Steel, JFE Engineering, Universal Shipbuilding, and Kawasaki Microelectronics have adopted a corporate officer system to clarify authority and responsibilities by separating management decision-making and execution, and to accelerate execution.

Making Decisions on Important Matters

The Group companies decide their own matters of importance based on their own rules, according to clear deci-

sion-making procedures. At the Group level, JFE Holdings makes decisions about group-wide matters.

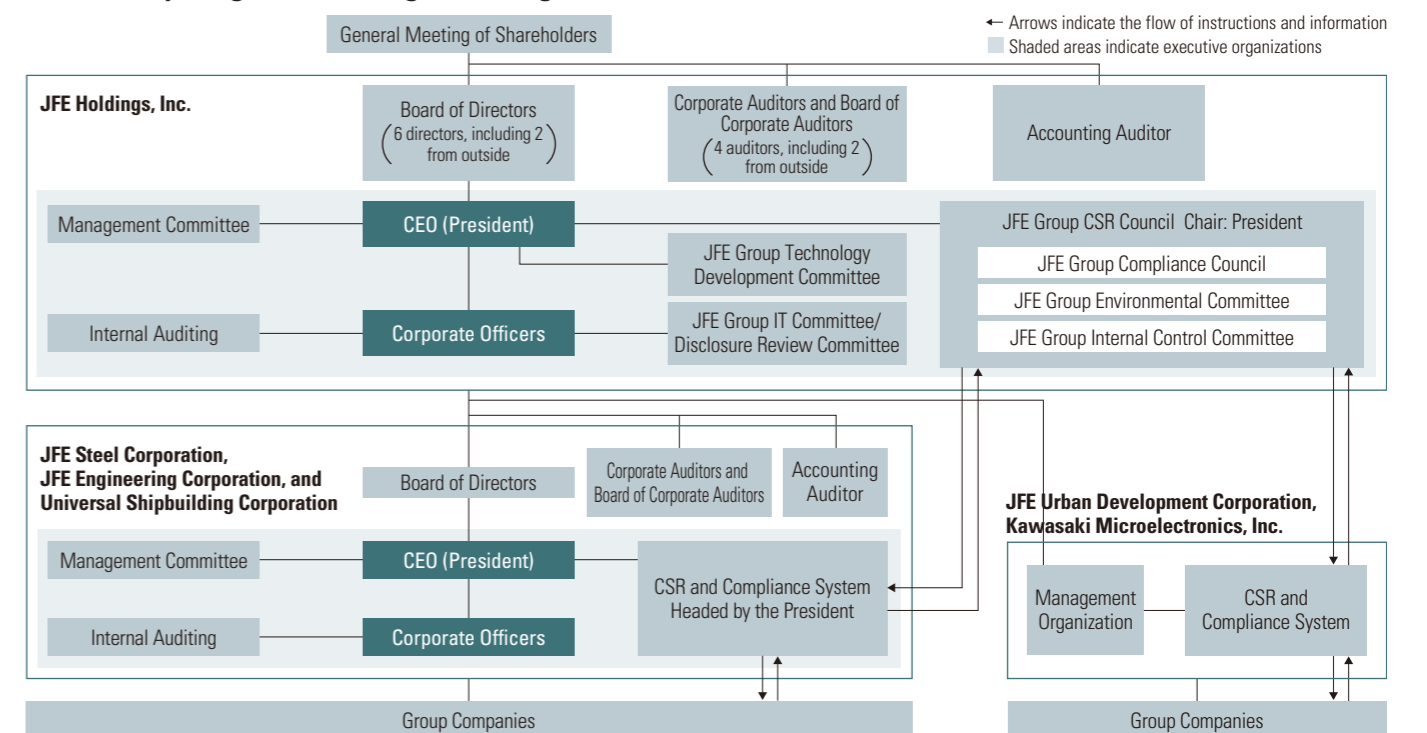
JFE Holdings and each of the operating companies hold a management committee meeting chaired by the president and attended by directors, corporate officers, and corporate auditors. These meetings are held approximately twice a month. The respective Board of Directors meetings are held once or twice a month.

Group-wide committees deal with technology development and all IT issues.

Internal Control

JFE Holdings' Internal Control System, which includes risk management, is governed by the Basic Policy for Building an Internal Control System. In accordance with this policy, various sets of rules apply to the Board of Directors, the Management Committee, and the JFE Group CSR Council, as well as to organization/work. Another part of internal control, the Corporate Ethics Hotline, is functioning properly.

Relationship Diagram of Management Organization and Internal Control



挑戦
Challenging Spirit

Economic Aspects

Increasing Corporate Value

The JFE Group is increasing its corporate value on a solid foundation that emphasizes the Group's status as primarily a manufacturer.

The Group is actively enhancing its cost competitiveness, ensuring its quality advantage, and developing new products and technologies. It also focuses on improving employees' productivity as well as handing down expertise to the next generation.

柔軟
Flexibility

誠実
Sincerity

JFE Group Overview

The JFE Group is striving for: 1) sustainable growth based on "contributing to society with the world's most innovative technology", and 2) increasing value for shareholders and other stakeholders.

Operating Results for the Year Ended March 2009

As a result of our efforts to establish stable, highly profitable operations in the fiscal year ended March 31, 2009, we maintained comparable year-on-year earnings, despite severe changes in business conditions, particularly the global downturn and fluctuating equity and foreign exchange markets.

On a consolidated basis, our results for the year ended March 31, 2009, included higher sales, but lower earnings. We posted net sales of 3,908.2 billion yen, operating income of 407.8 billion yen, and ordinary income of 400.5 billion yen. The plunge in equity prices led to 55.2 billion yen in investment securities valuation losses, which contributed to an extraordinary loss of 69.5 billion yen. Income before income taxes and minority interests was 331 billion yen, and net income was 194.2 billion yen, both declining from a year ago.

Shareholder returns are a top management

priority, and therefore we have an active dividend payment policy, while creating operations that sustain the growth of the Group.

A consolidated dividend payout ratio of approximately 25% was a fundamental aspect of the Second Medium-Term Business Plan (April 2006–March 2009). We declared a dividend of 90 yen (25.3%) for the year ended March 31, 2009, for a ratio of 25% during the Plan.

Also in the interest of shareholder returns, we acquired 153.3 billion yen in treasury stock during the past fiscal year. These purchases increased treasury stock acquisitions during the Plan to over 400 billion yen, yielding a total return ratio of 80%.

Consolidated Operating Results (Billions of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
Net sales	3,539.8	3,908.2
Operating income	510.5	407.8
Ordinary income	502.9	400.5
Return on sales (ROS)	14.2%	10.2%
Net income	261.8	194.2
Annual dividend per share	120 (yen)	90 (yen)

Net sales
3,908.2
billion yen

Ordinary income
400.5
billion yen

JFE Steel Corporation

URL <http://www.jfe-steel.co.jp/en/index.html>



Hajime Bada
President and CEO

Under the Second Medium-Term Business Plan, we strove to expand sales of high-value-added products by making the most of our technological leadership. To support our aim to be “a trusted supplier of the world’s top value-added products,” we expanded sales of high-value-added products and improved our prospects for financial growth. We also focused on raising our development capabilities in world-leading technologies, strengthening our strategies for high-value-added products, and bolstering our domestic production bases.

Consolidated Operating Results (Billions of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
Net sales	3,203.3	3,423.3
Operating income	521.7	425.0
Ordinary income	508.9	412.5
ROS	15.9%	12.0%

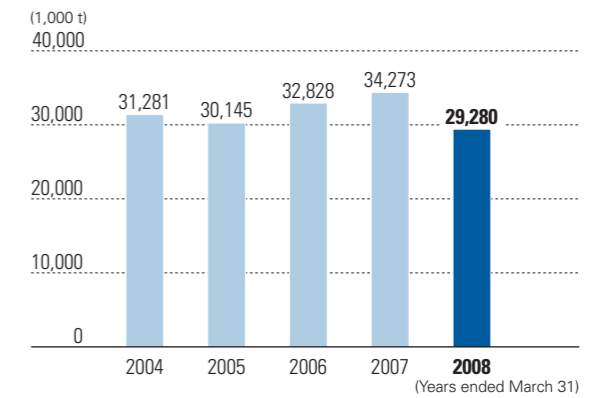


Operating Results for the Year Ended March 2009

A major drop in demand in the second half of the fiscal year required us to reduce production significantly by temporarily suspending operations of two blast furnaces and implementing other measures. As a result, consolidated crude steel output by year-end was 29.28 million tons, or less than the previous year.

Significantly lower sales volumes, however, were offset by higher sales prices, resulting in a net sales increase from a year ago, to 3,423.3 billion yen. In spite of the higher sales prices and cost-cutting efforts, higher raw material prices and a major decline in second-half sales volumes held ordinary income to 412.5 billion yen, a year-on-year decrease.

Consolidated Crude Steel Production

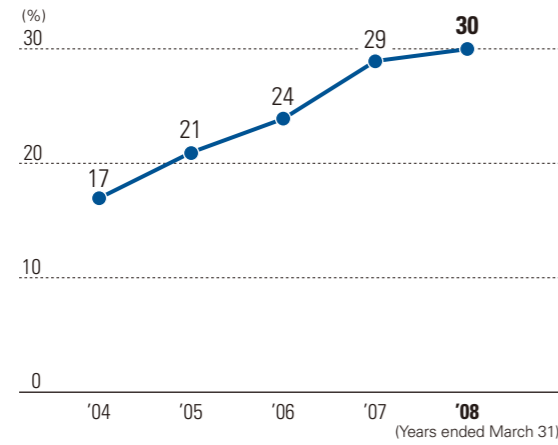


Consolidated crude steel production
29.28
million tons



Trends in proportion of Only One and Number One Products to total sales
30%

Trends in Proportion of "Only One and Number One Products" to Total Sales



Tapping of shaft furnace in Keihin area



Guangzhou JFE Steel Sheet Company Ltd.

Activities in the Year Ended March 2009 and Efforts for the Year Ending March 2010

In response to the sudden decline in steel demand, we continue to follow closely each sector and adjusted production volume and sales to actual demand. We focused on low-cost operations, inventory reductions, and swift responses to changes in the business environment.

Amid the unprecedented business circumstances, JFE Steel as a group has taken proactive measures in the year ended March 31, 2009, which is the final year of the Second Medium-Term Business Plan.

Specifically, the Company achieved a major increase in high-end steel production capacity, following efforts to enhance facilities for high-value-added products and improve capacity utilization and quality through "Champion Technology Transfer Activities" aimed at sharing the best technologies among the works within our company.

We steadily reduced CO₂ emissions by introducing energy-saving equipment and starting up a shaft furnace in the Keihin area.

Overseas, Guangzhou JFE Steel Sheet began full-scale production of steel for automobiles. We also entered into a joint venture with China's ERDOS Corporation and other companies to expand the ferrous alloy business. In Brazil, a consortium of Japanese and Korean companies, including JFE Steel, purchased shares in NAMISA to secure iron ore mining rights.

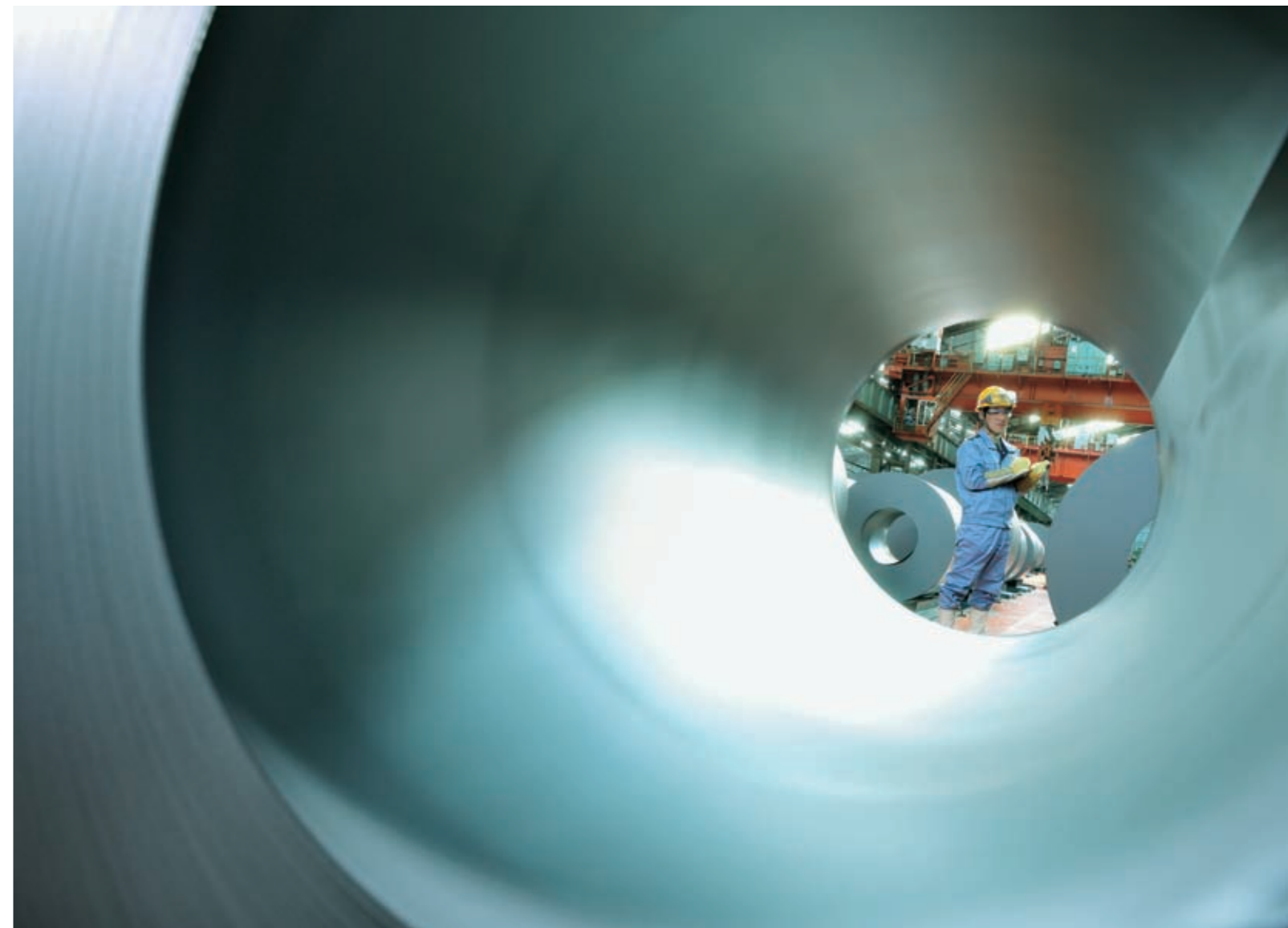
Facing severe business conditions expected to continue during the fiscal year ending in March 31, 2010, JFE Steel will make a companywide effort to increase earnings and pursue growth strategies.

To increase earnings, all divisions (production, sales, and technical development) will work to expand sales of products by making the most of the Company's strengths and striving to enhance customer satisfaction. We continue to implement flexible and minimum cost operations in line with reduced demand.

To support growth, we will implement plans to expand domestic crude steel production to

33 million tons per year, a move that has already been approved, as soon as global economic conditions recover. We continue to examine possibilities for global business development, for example, the construction of an integrated steelworks overseas.

Our objective is to continue to be a global leader supplying high-value-added products five or ten years from today. To this end, we endeavor to develop products that meet customers' requirements, technologies to reduce CO₂ emissions over the medium to long term, and human resources and technology transfers to support our initiatives.



JFE Engineering Corporation

URL <http://www.jfe-eng.co.jp/en/index.html>

Net sales

338.2
billion yen

Ordinary income

9.9
billion yen



Sumiyuki Kishimoto

President and CEO

Under the Second Medium-Term Business Plan, our goal was to reconstruct our business base to generate the industry's highest earnings in each of our businesses.

During the year ended March 31, 2009, the last year of the Plan, we concentrated on returning to profitability, implementing management reforms, and focusing on profitability in our strongest fields—the environment and energy.

Consolidated Operating Results (Billions of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
Orders received	290.2	328.3
Net sales	314.2	338.2
Operating income	(17.1)	4.6
Ordinary income	(11.0)	9.9

Operating Results for the Year Ended March 2009

Although the year ended March 31, 2009, provided difficult business conditions, we achieved a V-shaped recovery through a combination of fixed expense cuts and selective order acceptance. For the year, we recorded net sales of 338.2 billion yen and ordinary income of 9.9 billion yen.

Natural gas plant



Activities in the Year Ended March 2009 and Efforts for the Year Ending March 2010

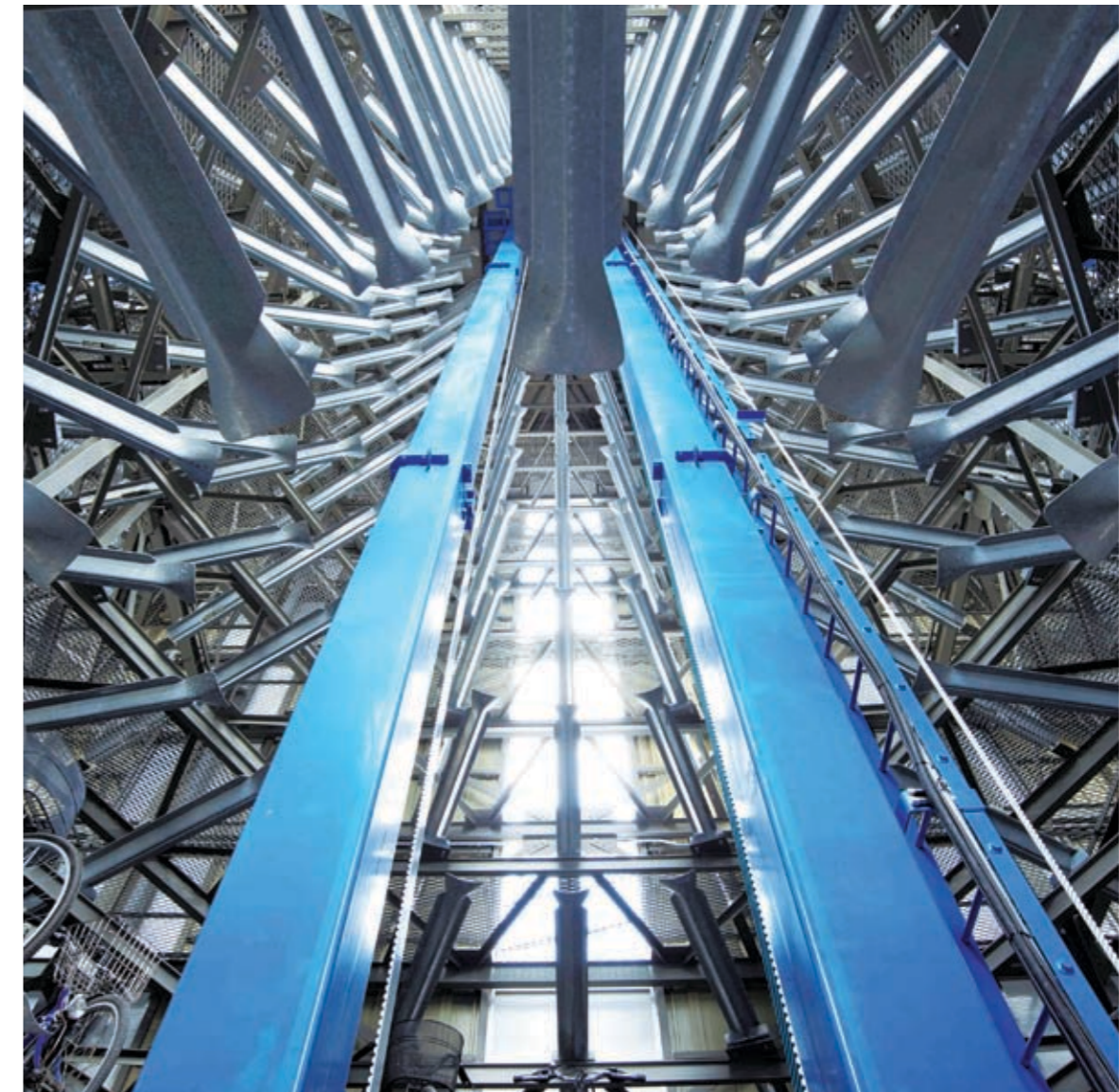
Aiming to reform our earnings management during the year under review, we took steps to manage earnings on a product-by-product basis. We then made major fixed expense reductions, achieved by reorganizing and consolidating Group companies and branch offices.

In the fiscal year ending March 31, 2010, we will implement general cost reductions to enhance our competitiveness and gain more orders for urban environmental plants, pipelines, and bridges—all areas in which we offer our core

products with the industries' top standards.

With the environment and energy now in the global spotlight, we see an opportunity to greatly expand our business in these sectors by conducting aggressive sales and introducing new products.

We will develop business in China, Southeast Asia, and Europe and expand growth and income opportunities by pursuing alliances on tangible and intangible fronts.



Cycle Tree (multi-level mechanical bicycle parking system)

Universal Shipbuilding Corporation

URL http://www.u-zosen.co.jp/en_u-zosen/index.html

Net sales

181.4
billion yen

Ordinary income

-14.9
billion yen



Shinjiro Mishima

President and CEO

Operating Results for the Year Ended March 2009

The year ended March 31, 2009, our first year as a JFE Group operating company, unfortunately resulted in an ordinary loss due to skyrocketing supply and equipment costs and the yen's appreciation.

Orders for new merchant vessels fell sharply because of the financial crisis that began last autumn and total orders received in the year ended March 31, 2009, came to only 14 (including orders for naval and special-purpose vessels).

Consolidated Operating Results (Billions of yen)

	Year Ended March 31, 2009
Orders received	101.9
Net sales	181.4
Operating income	(15.2)
Ordinary income	(14.9)



The Suezmax tanker "SAMURAI"

Activities in the Year Ended March 2009 and Efforts for the Year Ending March 2010

During the year ended March 31, 2009, we chiefly delivered a series of 297,000-ton ore carriers at Ariake Shipyard, a sister ship of the Mediterranean Max^{*1} liquefied natural gas (LNG) carrier at Tsu Shipyard in July, and launched an Antarctic icebreaker, Shirase, at Maizuru Shipyard in April.

We also succeeded in winning our first orders for a fiber reinforced plastic (FRP) minesweeper and platform supply vessels (PSV)^{*2}.

For the year ending March 31, 2010, we set our top priority as returning to positive ordinary income. In the midst of the global economic recession, this coming fiscal year is expected to

be difficult for shipbuilders. However, with four years of orders in hand, we will start a campaign "All, Be Challengers! (ABC)" within the company to cut costs for work on order, while steadily enhancing our competitiveness in preparation for a market recovery by developing new environmentally friendly vessels. We believe these steps will allow us to outlast our Korean and Chinese competitors.

^{*1} Mediterranean Max
The largest vessel able to enter Mediterranean coastal LNG terminals.

^{*2} PSV
Special-purpose vessels that deliver supplies to oil drilling rigs or offshore platforms.



Delivery ceremony for the icebreaker Shirase (May 2009)

JFE Urban Development Corporation

URL <http://www.jfe-ud.co.jp/> (Japanese only)



Noriaki Shigemi
President

Operating Results for the Year Ended March 2009

In the year ended March 31, 2009, a downturn in the condominium market reduced the number of units sold. As a result, net sales were 25.1 billion yen and ordinary income fell into the red by 3.7 billion yen.

Activities in the Year Ended March 2009 and Efforts for the Year Ending March 2010

In the year under review, we achieved our initial business goals in the Second Medium-Term Business Plan by productively using, and thereby enhancing the value of, idle Group-owned property, mainly through condominium projects.

Looking ahead, we will develop our business primarily by making use of real estate owned by the Group. As some Group companies are moving ahead with plans for their real estate, we will seek to implement the most efficient group-wide operating system.

Kawasaki Microelectronics, Inc.

URL http://www.k-micro.com/index_e.html



Yukio Yamauchi
President and CEO

Operating Results for the Year Ended March 2009

During the year ended March 31, 2009, demand from LCD panel manufacturers suddenly plunged, pulling sales and earnings down year-on-year. Net sales were 27.8 billion yen, and ordinary income fell into the red by 4.2 billion yen.

Activities in the Year Ended March 2009 and Efforts for the Year Ending March 2010

With the LSI market facing extremely difficult conditions, we will pursue measures aimed at significantly improving our profitability and ongoing business. For example, we will close our Utsunomiya Works by around the end of FYE 2010 and will cut our overall headcount by half to solidify our earnings base. As for business development taking advantage of our leading technologies, we will examine all possibilities, including partnerships with other companies.

R&D Aimed at Further Progress and Growth

JFE Group's R&D System

Each operating company pursues creative R&D, in accordance with the Corporate Vision of contributing to society with the world's most innovative technology and applying the common development concept of constantly leading their respective industry and developing new fields.

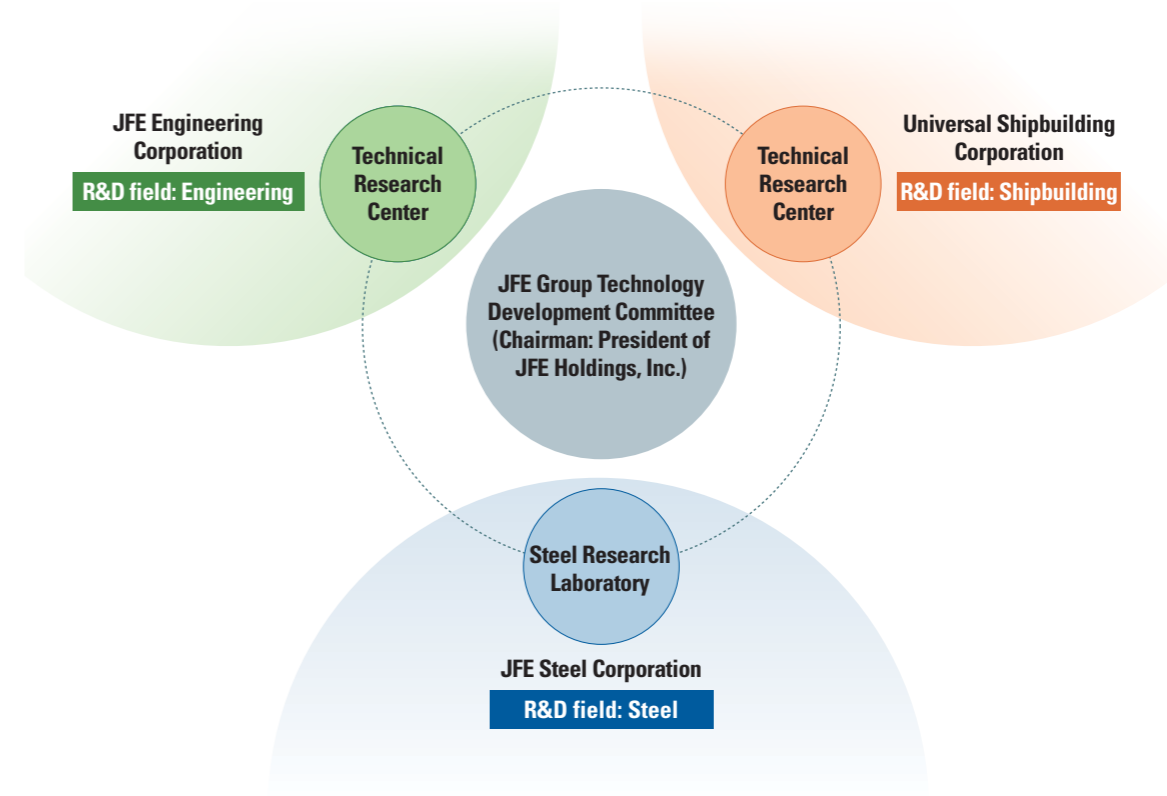
The JFE Group Technology Development Committee, chaired by the President of JFE Holdings, is where JFE Holdings and its operating companies determine group-wide R&D strategies and identify critical matters requiring group-wide attention.

Six years ago, the JFE Group was established, and connections among the member companies

have since grown tighter. The R&D pursued by JFE R&D Corporation is now contributing to each operating company's business. With that as a foundation, the functions of JFE R&D Corporation were transferred to the operating companies in April 2009 to strengthen the integration of their business strategies and R&D efforts.

The JFE Group continues to flexibly address changes in its business environment and strives to keep high profitability. To earn and maintain high levels of trust from the market and society and to nurture and develop business bases, the Group is actively pursuing its R&D activities.

R&D System Diagram





Social Aspects

With Our Society

Corporations are expected to fulfill a wide variety of social responsibilities for a diverse group of stakeholders, including such obligations as compliance, product quality, disclosure of information, contribution to local communities, and labor safety.

Striving to be a company which earns the trust of society, the JFE Group promotes activities which allow us to reliably satisfy the needs of society as we grow together.

JFE Group Standards of Business Conduct

- All JFE Group executives and employees will faithfully adhere to the following Standards of Business Conduct in all facets of corporate activities. These standards were created to embody the Corporate Vision of the JFE Group and go hand-in-hand with the Corporate Values.
- Senior executives are to take the lead in communicating these standards to employees throughout the group and in creating effective systems and mechanisms to ensure adherence to corporate ethical standards.
- Senior executives shall be directly involved both in the resolution and implementation of measures to prevent the recurrence of any violations of these standards. They shall disclose information about violations in a timely and accurate manner both inside and outside the group, shall clarify the authority and accountability involved and shall deal rigorously with offenses.

1. Provide quality products and services

Earn the trust and regard of customers by endeavoring to provide quality products and services based on superior technology and by fully respecting and protecting the privacy of personal and customer information.

2. Be open to society at large

Endeavor to communicate with shareholders and the broader community, and actively disclose corporate information.

3. Coordinate and cooperate with the community

Actively contribute to the community as a good corporate citizen in a spirit of coordination and cooperation.

4. Globalize

Endeavor to achieve mutual understanding with people around the world, working from global perspectives and respecting local cultures and customs.

5. Exist in harmony with the global environment

Contribute to the achievement of better living standards and the creation of societies that exist in harmony with the global environment.

6. Maintain proper relations with government and political authorities

Endeavor to build and maintain sound and proper relationships with government and political authorities.

7. Stance towards antisocial forces

Refuse to associate with any and all elements or organizations that threaten social order and stability, and reject all illegal and improper demands.

8. Respect human rights

Respect all employees and members of the general public as individuals and refrain from any and all discrimination in corporate activities.

9. Provide challenging work environments

Provide employees with attractive, safe and challenging work environments.

10. Comply with laws and ordinances

Comply with all applicable laws and ordinances, endeavor to compete fairly and freely, refrain from illegal business activities, promote sound business practices, and be faithful and sincere in all activities and dealings.



Social Aspects

CSR System

CSR System

Aiming for a better society, the JFE Group is committed to corporate social responsibility (CSR) as a core element of its business. In October 2005, the JFE Group CSR Council (chaired by the President) was established at JFE Holdings. This council is structured to supervise and guide the entire Group's CSR activities toward various issues, including compliance, the environment, internal control, personnel/labor, safety, disaster prevention, and social contribution. Among others, three independent committees were set up to focus on our compliance obligations, environmental issues, and internal control systems.

Major CSR Activities in the Year Ended March 2009

JFE Steel Corporation

JFE Steel defines CSR as an endeavor to improve stakeholder satisfaction and raise corporate value. The company is committed to its CSR obligations, giving top priority to fields which affect the

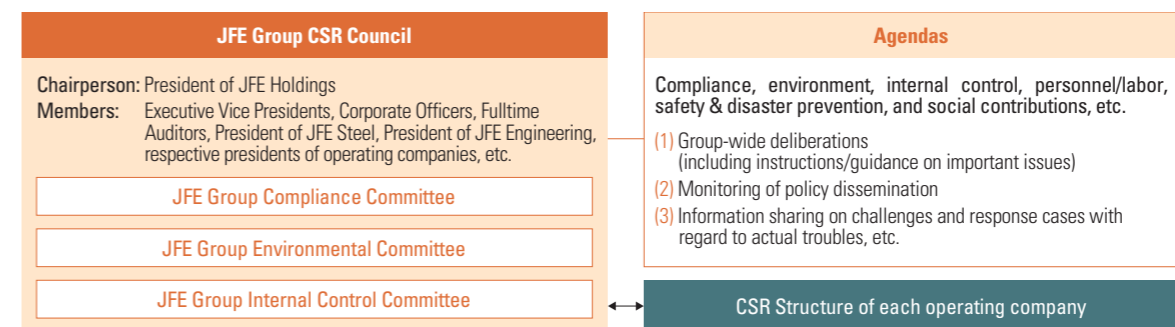
foundations of corporate sustainability, including environmental protection, safety, disaster prevention, and compliance. At the same time, the company strives to establish a Plan-Do-Check-Action (PDCA) cycle and to raise CSR awareness overall.

The CSR Council chaired by the President was set up to promote the CSR concept within the company. It deliberates on CSR-related issues and policies, and monitors progress of measures being implemented. In the year ended March 2009, the CSR Council convened nine meetings.

JFE Engineering Corporation

Defining compliance, safety, disaster prevention, and environmental protection as its four basic responsibilities, JFE Engineering is committed to CSR as a core element of its business. In particular, the company focuses on compliance with laws and regulations relating to its businesses such as the Antimonopoly Law, reinforcing activities to prevent recurrence of violations with thorough compliance training, oversight of operational reformation processes, and constant follow-up checks.

CSR Structure



Report on the Case Concerning the Antimonopoly Law

In connection with an alleged violation of the Antimonopoly Law, JFE Engineering Corporation instituted a suit with the Tokyo High Court to repeal a ruling related to construction of refuse incineration facilities. When its claim was rejected in September 2008, the company made a final appeal to the Supreme Court in October of the same year. In addition, as a result of an in-house investigation, JFE Galvanizing & Coating Co., Ltd. found that there had been behavior deemed in violation of the Antimonopoly Law in connection with sales of galvanized steel sheet. In response, the

company submitted a voluntary report on this behavior to the Fair Trade Commission and filed a request for application of the leniency program. JFE, as a group, pledges to continue with earnest efforts to tighten compliance with all pertinent laws and regulations, to take action on environmental issues, and to assure safety as requirements at the foundation of our ties of trust with society. We remain committed to endeavors for sustained growth as a company and maximization of our corporate value to our shareholders and other stakeholders.

With Customers and Clients

JFE Group Quality Assurance System

JFE Steel has acquired ISO 9001 and various other QA qualifications including the new JIS mark and approvals from the American Petroleum Institute (API) and ship classification societies. The company has a standardized improvement program, based on the use of QC manuals, for its quality enhancement and management systems.

Furthermore, through joint product development carried out in partnership with customers, the company aims to supply products which help enhance customer competitiveness and customer satisfaction.

JFE Engineering has established a comprehensive quality assurance framework from sales, design, procurement, and installation through to follow-up services, by setting up Quality Management Systems (QMS) for the entire company.

Based on the group-wide quality assurance policy, each business department has obtained ISO 9001 qualification by developing QA manuals according to the characteristics of each product. Under this policy as well as QMS, the company aims to meet its customers' detailed needs for product quality.

Universal Shipbuilding has acquired various qualifications at each shipyard where new ships are built, such as ISO 9001 as well as the qualifications of ship classification societies and by the Japanese government.

Under the company-wide QMS, which complies with these qualifications, the company strives to ensure good quality products from sales, design, and ship building to follow-up services, in order to meet its customers' expectations.

Improvement of Customer Satisfaction (CS)

JFE Steel conducts customer interview surveys and analysis through a third party consultant firm. Based on the results, the development, manufacturing, and sales departments cooperate with each other to actively promote efforts that improve the company's standing from our customers' point of view.

Customer Solution Laboratory: Forging the Future of Steel Materials for Automobiles Together with Customers

In August 2005, the CSL was established as Japanese industry's first facility dedicated to enhancing communication with customers in the automotive fields to improve customer satisfaction. The CSL features displays of cutting edge research results, studies of automobile architecture and material compositions, laboratory, and meeting rooms. Joint activities carried out with customers from automobile manufacturers and parts manufacturers not only promote vigorous joint research but also accelerate the speed of R&D.



With Shareholders and Investors

Basic Policy for Returns to Shareholders

The JFE Group considers generating returns to its shareholders as one of its top management priorities, and strives to ensure the stable payment of dividends through the establishment of a sustainable corporate financial position for the entire Group.

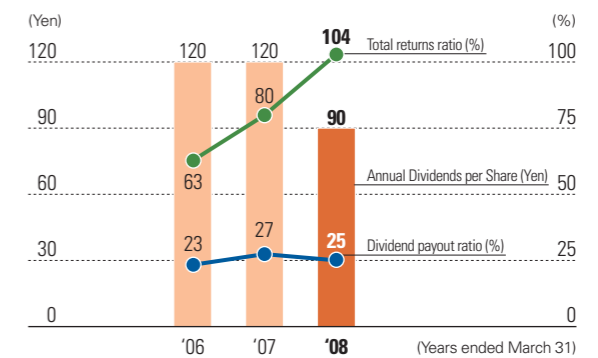
Under the Second Medium-Term Business Plan (April 2006–March 2009), we aimed at maintaining a basic dividend policy with a consolidated payout ratio of about 25%. Considering this basic policy, we have announced a dividend of 90 yen per share (payout ratio: 25.3%) for the year ended March 31, 2009. Consequently, we achieved the average payout ratio for the past three years at a 25% level.

In addition, we increased the total amount of treasury stock to more than 400 billion yen during the period, adding 153.3 billion yen in the year ended March 31, 2009. As a result, the total re-

turn ratio during the period reached 80%.

Taking into consideration the increasing uncertainty surrounding the global economy and the need for aggressive investments to foster our business growth, we will strive to maintain and improve our solid financial position first, while a stable return of interest to our shareholders remains one of the most important issues for our business operations.

Trends in Annual Dividends and Dividend Payout per Share



Dividend payout ratio (average) for April 2006–March 2009

25%

Total return ratio (average) for April 2006–March 2009

80%

Guided Plant Tours for Shareholders Attracting the participation of 2,599 shareholders

To help our shareholders better understand the JFE Group, we have been organizing guided tours of plants and corporate briefing sessions since the year ended March 31, 2007.

During the year ended March 2009, a total of 2,599 shareholders participated in 28 tours and sessions at JFE Steel's plants, either the East Japan Works (Chiba, Keihin) or the West Japan Works (Fukuyama, Kurashiki) as well as JFE Engineering's Tsu Works and Universal Shipbuilding's shipyards in Tsu, Ariake, and Manazuru. We had a total of more than 7,600 participants within the past three years.

We plan to maintain these tours and sessions for our shareholders through the year ending March 31, 2010 and onward.



A guided plant tour for shareholders

With Local Communities

URL JFE 21st Century Foundation
<http://www.jfe-21st-cf.or.jp/>

Philanthropic Activities by JFE 21st Century Foundation

After taking over the operations of former Kawasaki Steel 21st Century Foundation established in 1990, JFE 21st Century Foundation engages in social activities with the aim of achieving an open presence in society and growing in coexistence with society. The operating cost for the year ending March 31, 2010 is 80 million yen.



Research Grants Presentation by Chairperson Sudo

Grants for Technical Researches

Since the year ended March 31, 1992, the Foundation has consistently provided research grants (providing competitive research funds by inviting applications from the public) for the purpose of promoting technical research at universities. By the year ended March 31, 2009, 373 projects have received a cumulative total of 750 million yen in research grants, giving the Foundation a high rating among universities.

In the year ended March 31, 2009, the Foundation provided a total of 60 million yen in research grants to 30 projects in total (two million yen per project), chosen from among a great number of grant applications. The Foundation issues a research report every year and publicizes them on the Foundation's website.

Supporting Educational Activities in Regions with Ties to Steel

Since the year ended March 31, 1992, the Foundation has been a co-sponsor of a creative writing competition (essays, poems, *tanka* and *haiku*) held by the Japan Overseas Educational Services, and set up the JFE 21st Century Foundation Award, targeting Japanese elementary and junior

high school students studying overseas.

In the year ended March 31, 2009, the Foundation donated copies of an anthology of winning entries named "Learn from the Earth" to 1,165 elementary schools, 597 junior high schools, 116 public libraries and others.

Grants for Asian History Studies

In the year ended March 31, 2006, the Foundation introduced grants for the purpose of promoting Asian history studies in Japanese universities. In the year ended March 31, 2009, the Foundation received 57 grant applications and provided a total of 15 million yen in grants to ten projects.

Co-sponsoring Cultural Activities and Events

The Foundation co-sponsors various cultural activities and events hosted by local authorities and community groups with a majority of participation by local citizens. The following list shows its activities and events co-sponsored in the year ended March 31, 2009.

Activities in the Year Ended March 2009

- Fukuyama Rose Festival (Fukuyama City)
- Chiba Prefectural Youth Go Competition (Chiba City, Funabashi City)
- Yokohama Children's International Peace Program (Yokohama City)
- Hibiya City Ya-noh (Noh at night) (Chiyoda-ku, Tokyo)
- MUZA/JFE Lunch & Night Concert (Kawasaki City)
- Mie Prefecture High Schools' Robot Tournament (Tsu City)
- Tomonoura Stage: the Era of Evolution (Fukuyama City)
- Community Festival (Kawasaki City)
- Handa Community Industrial Festival (Handa City)
- Jo Chihun Cup Go Competition (Chiba City)
- Kurashiki Music Festival (Kurashiki City)



Tomonoura Stage: the Era of Evolution

With Our Employees

Employment of People with Disabilities

The JFE Group puts a great deal of effort into promoting employment of people with disabilities. In order to offer persons with various disabilities workplaces where they can fully exercise their abilities, we operate three special subsidiaries: JFE Apple East Corporation, JFE Apple West Corporation, and Mie Data Craft Co., Ltd. Along with the ongoing employment of people with disabilities, we also strive to create a worker-friendly environment at these subsidiaries.

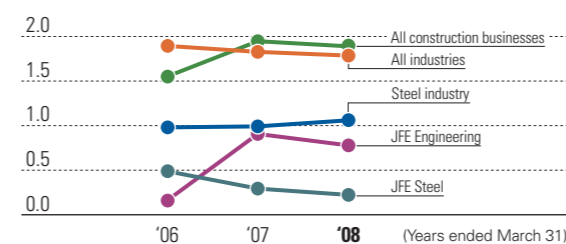
Respecting Human Rights

The JFE Group addresses group-wide activities to protect human rights, with deep awareness of its corporate social responsibility. More specifically, we are committed to (1) implementing various training courses to raise consciousness of human rights, and (2) guaranteeing equal job opportunity and promoting fair personnel management. In addition, we make utmost efforts to prevent sexual harassment, such as stipulating anti-sexual harassment clauses in the work regulations, displaying posters, and establishing male and female counseling services at each office. Also, during the Human Rights Week, we convey messages from executive officers, and solicit slogans to encourage workers to think about human rights.

Employee's Health and Safety

JFE Group is endeavoring to improve and reinforce safety measures, in order to eliminate workplace hazards.

Trends in Rate of Lost-worktime Injuries at JFE Steel and JFE Engineering



Passing down Skills and Techniques/ Re-employment of Senior Workers

Every steelwork of JFE Steel has maintained a personnel training system which encourages novice and intermediate workers to improve their skills and techniques.

In addition, based on the view that senior employees with a wealth of valuable experience and expertise are an extremely capable workforce, JFE Steel has established the Senior Expert Program, a scheme which re-employs applicants beyond the retirement age of 60.



Passing expertise to new generations

Meanwhile, JFE Engineering group is currently promoting the handing down of expert technical skills to the new generation of employees at an early stage, through the re-employment of senior workers and JFE Human Resource Bank.

The company also set up a Career Consulting Room to encourage the senior workers to develop their career before compulsory retirement or their second retirement after re-employment.

Universal Shipbuilding has a relatively small number of younger workers, with a typical J-shaped age distribution; therefore, it will need a significant transition of workforce to the next generation within a few years.

To deal with this issue, the company is promoting and fostering the technical skills of young workers through instruction by experts aged over 60 at each shipyard. In addition, the company has set up a new department in charge of technical assistance, and allocates a mentor for each young worker to provide technical guidance.

Re-employment rate under the Senior Expert Program

66%

Employment rates for people with disabilities (as of April 1, 2009)

JFE Steel
2.05%

JFE Engineering
2.06%

Universal Shipbuilding
1.60%

Total grants for technical research

373 projects

750 million yen

Activities for the Year Ended March 2009

Believing with conviction that customers/clients, shareholders/investors, local communities and our employees are all important stakeholders, JFE Group makes various contributions through the following activities in order to meet every expectation of all our stakeholders and be trusted as a responsible company.



Customers/ Clients

We devote ourselves to developing and providing products which fulfill customer satisfaction so that we can win full trust from our domestic and international customers/clients and share prosperity with them as a good partner.



Shareholders/ Investors

While striving to ensure fair and prompt information disclosure and stable profit return to shareholders, we also endeavor to vitalize communication and build up relationships which should win trust and empathy.



Local Communities

We are committed to building up good relationships with each nation and region as a member of international society and that of local communities. We will continuously carry forward social contribution activities in various fields.



Employees

We strive to improve working conditions and various personnel systems so that every employee can improve their individual ability to the maximum and feel full job satisfaction as well as a great sense of security.



May
JFE West Japan Festival in Fukuyama



July
Co-sponsoring China Japanese Speech Contest



September
Ceremony for Challenge Award



September
A guided plant tour for press

October
JFE Steel President's Award



October
Autumn Festival in Tsu City



October
Company-wide disaster drill



October
JFE Chiba Festival

November
A guided plant tour for shareholders



November
Debriefing session for "How to deal with customers"



November
Community Festival (Keihin)



November
Handa Community Industrial Festival



November
West Japan Festival in Kurashiki

December
JFE 21st Century Foundation Award Ceremony



December
Eco-Products 2008



March
Co-sponsoring JSEC2008 (Japan Science & Engineering Challenge)



March
Company-wide conference for JE1 Activities



March
Eco-products International Fair 2009 in Manila





Environmental Aspects

Preserving the Environment

The JFE Group philosophy towards the environment is: "We consider improvement of the environment to be among the most important challenges facing management; to ensure a sustainable, prosperous society, the Group promotes business operations." Based on this philosophy, we constantly better our efforts for environmental conservation and aim for the development of a corporation in harmony with the environment.

Environmental Philosophy

The JFE Group considers the improvement of the global environment to be of utmost importance for management, and promotes business operations in harmony with the environment to create a prosperous society.



Environmental Policy

- To reduce environmental influence in all business operations**
JFE endeavors to reduce present and future environmental loads and promotes the development of innovative technologies for reducing environmental loads.
- To make contributions through technologies and products**
JFE contributes to the creation of a better environment through the development and supply of advanced technology, equipment, and ecological products.
- To make contributions through conservation of resources and energy**
JFE contributes to the creation of a resource- and energy-saving society through recycling and energy supply businesses which give priority to preservation of the global environment.
- To promote communication with society**
As a member of regional society, JFE contributes to a better environment at the regional level in cooperation with local citizens, government and administrative authorities, and other businesses.
- To promote international cooperation**
JFE contributes to environmental protection activities at the global level through active involvement in international cooperation in the form of technology transfers, etc.



Environmental Aspects

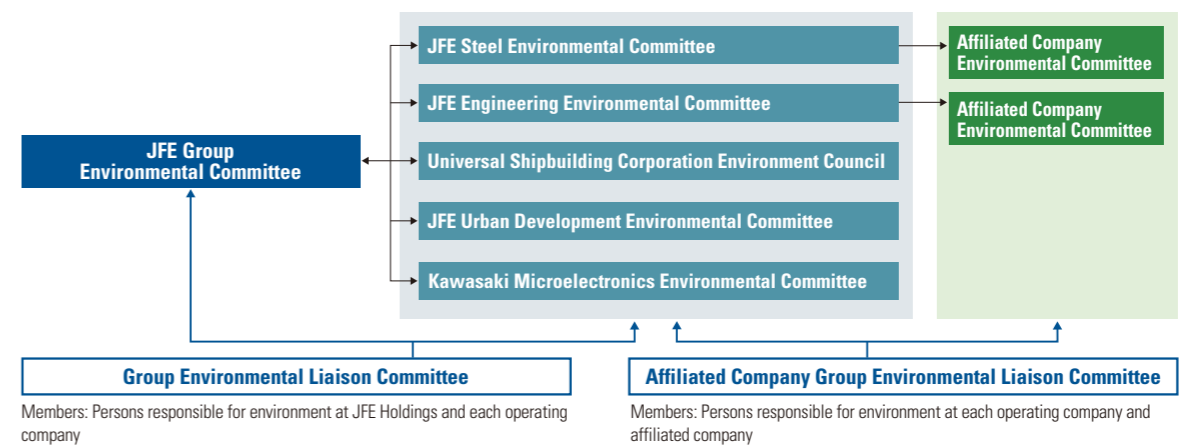
Environmental Management System

Construction and Operation of Environmental Management System

Under the JFE Group CSR Council, the JFE Group has set up the Group Environmental Committee chaired by the President of JFE Holdings, as well as an Environmental Committee in each of the Group's operating companies and affiliated companies. With this multi-tiered committee system,

JFE has been dealing with environment-related issues, such as setting objectives for environmental protection activities, checking progress of those activities, and improving environmental performance for the whole Group.

Environmental Management System



Environmental Accounting

In the year ended March 31, 2009, environment-related capital investment totaled 39.4 billion yen and expenses amounted to 88.0 billion yen. The ratio of environment-related capital investment

against total capital investment is approximately 19%. As a result of activities during the year ended March 31, 2009, the effects of energy conservation were valued at an estimated 0.9 billion yen.

Environmental Protection Costs (April 1, 2008 to March 31, 2009)

(Billions of yen)

Description		Investment	Expenses
Investment & expenses related to JFE's own business	Management	0.2	2.5
	Prevention of global warming	19.0	16.5
	Effective use of resources	0.9	19.1
	Environmental protection	18.5	38.9
	Miscellaneous	–	1.6
Investment & expenses related to customers and society	Research & development	0.8	8.8
	Social activities	–	0.6
Total		39.4	88.0

Environmental accounting data stated above was calculated on the basis of the following assumptions.

For costs, data on environment-related investment and expenses at JFE's steelworks were gathered, but in the field of research & development, Group-wide data was collected. The effects refer to "presumed effects"; "risk aversion effects," etc., are excluded from calculations.

* Calculations do not include capital investments made primarily for purposes other than environmental protection, such as renovation of superannuated facilities, even if the process as a whole results in a net energy saving compared to the former process.

Priority Environmental Targets and Results

* In the column "Pages to Refer," the number preceded by BR represents the corresponding page number in the "JFE Group Business Report 2009" and the ER number in the "JFE Group Environmental Sustainability Report 2009" respectively.

The "JFE Group Environmental Sustainability Report 2009" can be downloaded from our website.

URL <http://www.jfe-holdings.co.jp/environment/index.html>

(Year ended/ending March 31)

Group Companies	Pages to Refer	2009 Priority Environmental Targets	2009 Results	2010 Priority Environmental Targets
JFE Steel	BR55-58 ER3-10	Promote measures to prevent global warming <ul style="list-style-type: none"> Promoting measures to prevent global warming in line with the Voluntary Action Program of the Japan Iron and Steel Federation (JISF) (Compared to 1990, we plan to achieve a 10% decrease in energy consumption for the period from the year ending in March 2009 to 2013) 	<ul style="list-style-type: none"> Approx. 8% reduction in energy consumption, and approx. 18% reduction in unit energy consumption compared to the year ended March 1991 CDM implementation: Commenced PSC operation in September 2008 Commenced shaft furnace operation in August 2008 Commenced Kurashiki CDQ operation in March 2009 Commenced Super-SINTER™ operation in January 2009 Introduced and expanded the regenerative burners 	Promote measures to prevent global warming <ul style="list-style-type: none"> Promoting measures to prevent global warming in line with the Voluntary Action Program of the Japan Iron and Steel Federation (JISF) (Compared to 1990, we plan to achieve a 10% decrease in energy consumption for the period from the year ending in March 2009 to 2013)
	ER19-20	Continuously strive to reduce environmental risks <ul style="list-style-type: none"> Comply with new regulations Promote voluntary environmental conservation activities 	<ul style="list-style-type: none"> Newly added the wastewater treatment facilities (in order to comply with stricter restrictions on nitrogen in Chiba region) Continued voluntary control measures for VOC reduction 	Continuously strive to reduce environmental risks <ul style="list-style-type: none"> Comply with new regulations Promote voluntary environmental conservation activities
	ER21 ER39-40	Promote byproduct recycling <ul style="list-style-type: none"> Continue development of recycling technology for dust and sludge and implementation of actual equipment Improve waste material management 	<ul style="list-style-type: none"> Commenced oil sludge recycling facilities (roasting furnace) Introduced dust recycling facilities (Fukuyama region) 	Promote byproduct recycling <ul style="list-style-type: none"> Continue development of recycling technology for dust and sludge and implementation of actual equipment Launch a group-wide waste date collection system
	ER17-18 ER21 ER41	Improve waste control <ul style="list-style-type: none"> Develop a group-wide waste material collection system Introduce an electronic manifest system to the entire group, targeted at 80% computerization 	<ul style="list-style-type: none"> Currently introducing a waste material collection system Introduced an electronic manifest system to 69% of the Group's major works 	Improve waste control <ul style="list-style-type: none"> Develop a group-wide waste material collection system Introduce an electronic manifest system to the entire group, targeted at 80% computerization
JFE Engineering	ER23	Promote energy-saving activities in production divisions <ul style="list-style-type: none"> Tsurumi Engineering & Manufacturing Center: 12% reduction compared to the year ended March 1998 level (the target is calculated based on electricity usage per hour of operation) Shimizu Works: 40% reduction compared to the year ended March 1998 level (the target is calculated based on electricity usage per unit volume of production) Tsu Works: 15% increase compared to the year ended March 1998 level (the target is calculated based on electricity usage per unit volume of production) * An increase compared to the year ended March 1998 is anticipated for Tsu Works due to an increased usage of high current welding machinery 	<ul style="list-style-type: none"> Tsurumi Engineering and Manufacturing Center: achieved a reduction of 17% compared to the year ended March 1998 Shimizu Works: achieved a reduction of 33% compared to the year ended March 1998 Tsu Works: generated an increase of 4% compared to the year ended March 1998 Total CO₂ Emission of 3 works: 16,849 t-CO₂ 	Promote energy-saving activities in production divisions <ul style="list-style-type: none"> Tsurumi Engineering and Manufacturing Center: achieves a reduction of 13% compared to the year ended March 1998 Shimizu Works: achieves a reduction of 24% compared to the year ended March 1998 Tsu Works: limit the increase to a maximum of 5% compared to the year ended March 1998 * An increase compared to the year ended March 1998 is anticipated for Tsu Works due to an increased usage of high current welding machinery
	ER24	Promote reduction of construction site waste <ul style="list-style-type: none"> A recycle rate of over 73% 	<ul style="list-style-type: none"> A recycle rate of 85.9% 	Promote reduction of construction site waste <ul style="list-style-type: none"> A recycle rate of over 74%
Universal Shipbuilding	ER25	Promote measures to prevent global warming <ul style="list-style-type: none"> Target a 10% reduction in electric power consumption in basic unit within the year ending March 2011 compared to the level of the year ended March 1991 (scope: new shipbuilding shipyards) Target a 1% reduction in energy consumption in basic unit compared to the previous year (scope: 5 shipyards) 	<ul style="list-style-type: none"> Achieved an 18% reduction compared to the level of the year ended March 1991, due to the delivery of LNG carriers at Tsu Shipyard Achieved a total of 5% reduction in 5 shipyards compared to the previous year Achieved a 2.4% reduction in CO₂ emission at the group-wide level with the emission amount of 72,644 t-CO₂ 	Promote measures to prevent global warming <ul style="list-style-type: none"> Target a 10% reduction in electric power consumption in basic unit within the year ending March 2011 compared to the level of the year ended March 1991 (scope: new shipbuilding shipyards) Target a 1% reduction in energy consumption in basic unit compared to the previous year (scope: 5 shipyards)
	ER26	Reduce waste emissions <ul style="list-style-type: none"> Target the waste recycling rate to be 84% or more at the stage of production in the year ending March 2011 (scope: a group-wide level) 	<ul style="list-style-type: none"> Achieved a group-wide waste recycling rate of 87.5%, a substantial increase from the previous year 	Reduce waste emissions <ul style="list-style-type: none"> Target the waste recycling rate to be 84% or more at the stage of production in the year ending March 2011 (scope: a group-wide level)
	ER26	Take measures to regulate VOC emissions <ul style="list-style-type: none"> Aim to meet an emission standard level of less than 700 ppmC (scope: coating facilities with an air-exhaust capacity of 100,000 m³/hour or more) 	<ul style="list-style-type: none"> Achieved a level of less than 700 ppmC of the emission standard at both the Ariake and Tsu Shipyards 	Take measures to regulate VOC emission <ul style="list-style-type: none"> Aim to meet an emission standard level of less than 700 ppmC (scope: coating facilities with an air-exhaust capacity of 100,000 m³/hour or more)
	ER26	Monitor the chemical substances restricted under PRTR <ul style="list-style-type: none"> Monitor emissions into the air as well as transfers to other places of restricted chemical substances, particularly Xylene, Ethylbenzene, and Toluene (scope: 5 shipyards) 	<ul style="list-style-type: none"> The amounts of emission and transfer regarding 3 major chemical substances under control have been increased substantially from the previous year 	Monitor the chemical substances restricted under PRTR <ul style="list-style-type: none"> Monitor emissions into the air as well as transfers to other places of the restricted chemical substances, particularly Xylene, Ethylbenzene, and Toluene (scope: 5 shipyards)
Kawasaki Micro-electronics	ER27	Promote measures to prevent global warming <ul style="list-style-type: none"> Energy saving rate: 1% or higher Complete new C₂F₆ gas substitute experiments and will begin reductions in early 2009 	<ul style="list-style-type: none"> Achieved a 3% energy conservation rate. Energy origin CO₂ emission: 15,800 t-CO₂ Achieved the practical application of substitute gas. PFC gas emission: 22,500 t-CO₂ 	Along with the closing of the Utsunomiya Works, we will review our activity themes and implement the following: <ul style="list-style-type: none"> Target a 100% recycling rate for the wastewater treatment-origin dehydrated sludge Aim to reduce consumption of chemical substances under PRTR In addition, further improve the chemical substance control system for LSI products under EU-REACH
		Reduce consumption of chemical substances <ul style="list-style-type: none"> Reduce usage amount of notification substances Reduce the amount of types of substances used 	<ul style="list-style-type: none"> Reduced amount of hydrogen fluoride usage Reduced TBP emission 	
		Reduce industrial waste <ul style="list-style-type: none"> Achieve recycling rate of over 50% for the dehydrated sludge from wastewater treatment 	<ul style="list-style-type: none"> Achieved a recycling rate of over 71% for dehydrated sludge 	
JFE Urban Development	ER28	Promote energy-saving activities in the condominium development business <ul style="list-style-type: none"> Acquire Housing Performance Evaluation Reports Anti-degradation of structural frames measure grade: Grade 3 Energy efficiency grade: Grade 3 Formaldehyde emission control grade: Grade 3 Promote the use of energy-conserving materials and facilities 	<ul style="list-style-type: none"> Acquired for all condominiums Adopted LED lights, PVC window frames, double-glazed windows, and thermally insulated bathtubs 	Promote energy-saving activities in the condominium development business <ul style="list-style-type: none"> Acquire Housing Performance Evaluation Reports Anti-degradation of structural frames measure grade: Grade 3 Energy efficiency grade: Grade 3 Formaldehyde emission control grade: Grade 3 Promote the use of energy-conserving materials and facilities
		Promote measures to prevent global warming in the facility management business <ul style="list-style-type: none"> Renew the energy-conserving equipment 	<ul style="list-style-type: none"> THINK: Renewed pumps, etc. 	Promote measures to prevent global warming in the facility management business <ul style="list-style-type: none"> Renew the energy-conserving equipment
		Promote measures to reduce waste emissions in the facility management business <ul style="list-style-type: none"> Improve commercial and business recycling rates THINK: Recycling rate 54.7% Orto Yokohama: Recycling rate 50% 	<ul style="list-style-type: none"> THINK: Recycling rate 55.4%: a 6.1% increase from the level of the year ended March 2008 Orto Yokohama: Recycling rate 48.5%: a 1.9% increase from the level of the year ended March 2008 	Promote measures to reduce waste emissions in the facility management business <ul style="list-style-type: none"> Improve the recycling rate of targeted commercial and business wastes THINK: Recycling rate 56.5% Orto Yokohama: Recycling rate 50%

JFE Steel's Activities to Prevent Global Warming

—At the end of the first year of the Kyoto Protocol's initial commitment period

Message from Senior Management

The year ended March 31, 2009 was the first commitment period of the Kyoto Protocol.

To comply with the Japan Iron and Steel Federation's Voluntary Action Program, we at JFE Steel worked continuously to improve the efficiency of our operations and facilities, develop technologies, and take other steps to help stop global warming. In the end, we came very close to achieving the Voluntary Action Program objectives.

Based on our Corporate Vision of contributing to society with the world's most innovative technology, we will:

- Pursue further development of energy-saving technologies to fulfill the Voluntary Action Program for the first commitment period of the Kyoto Protocol;
- Help to reduce CO₂ emissions for society as a whole through actions like enabling the creation of lighter automobiles with high-performance steel products;
- Engage in international transfers of energy-saving technologies to help other countries with their efforts to stop global warming; and



Hiroshi Nishizaki

Vice President
JFE Steel Corporation

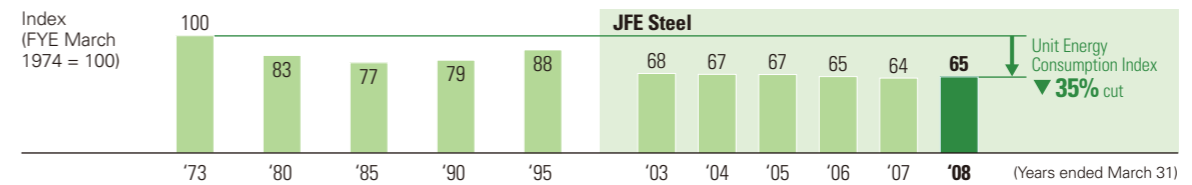
- Advance the development of innovative technologies to help reduce CO₂ emissions on a global scale for the future.

Approaches to Energy Saving and CO₂ Reduction

Since the first oil crisis, JFE Steel has actively been working towards energy saving and CO₂ reduction. For example, we recover by-product gases generated in the process of iron and steel making, as well as waste heat and pressure released

from the BF top pressure recovery turbine, etc. Thanks to these efforts, we have achieved a 35% reduction in unit energy consumption during the period between the year ended March 31, 1974 and the year ended March 31, 2009, achieving world-class efficiency in energy consumption.

Transition of Unit Energy Consumption Index at JFE Steel



History of Energy Saving Activities

Introduction of energy saving equipment

- Reduction of reheating furnace fuel
- Large-scale waste heat recovery equipment
- BF top pressure recovery turbine (TRT), sintering waste heat recovery, etc.
- Process continuation
- Continuous casting line, continuous annealing line, etc.

Further promotion of energy saving

- Waste plastics feeding into BF
- Introduction of regenerative burner
- Endless rolling
- City gas blowing technology for BF
- High efficiency oxygen plant

Global warming prevention measures by energy saving

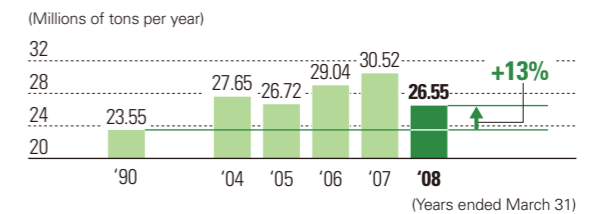
- Added a new shaft furnace
- Enhanced CDO
- Broader introduction of regenerative burner
- Augmentation of high efficiency oxygen plant
- BOF gas sensible heat recovery
- Introduction of Super-SINTER™

Unit energy consumption in comparison to the year ended March 1974
35% cut

Achievements in Crude Steel Production for the Year Ended March 2009

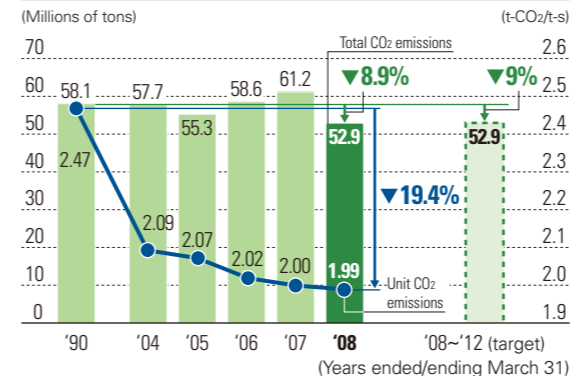
In the first half, we have maintained a high level of production volume in response to stronger demand for high performance steel products from our customers. However, we were obliged to reduce the volume level due to the economic slowdown in the second half. As a result, compared to the level at the year ended March 31, 1991, crude steel production had increased 13% by the year ended March 31, 2009.

Transition of Crude Steel Production at JFE Steel



Achievements in CO₂ Emissions and Unit Emissions for the Year Ended March 2009 (Estimation)

Transition of Total Energy Origin CO₂ Emissions and Unit CO₂ Emissions at JFE Steel



While crude steel production increased by 13% in the year ended March 31, 2009 compared to the year ended March 31, 1991, we were able to reduce CO₂ emissions by 8.9% and CO₂ emissions involved in producing one ton of crude steel (unit CO₂ emissions) by 19%.

The level of CO₂ emissions still remains lower, a 4% decrease, when compared with that of the year ended March 31, 2006 where the production volume of crude steel was almost the same level of that of the year ended March 31, 2009.

Unit CO₂ emissions in comparison to the year ended March 1991
8.9% cut

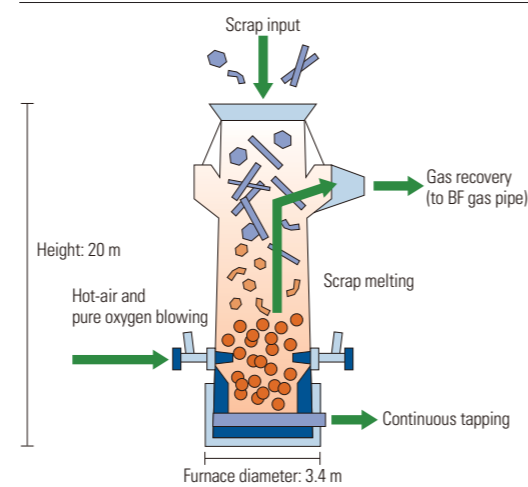


Initiatives for Achieving the Voluntary Action Program

JFE Steel is gradually seeing the results of approximately 100 billion yen it has invested to reduce CO₂ emissions and energy consumption under the Second Medium-Term Business Plan (April 2006–March 2009). Key facilities brought on-line in the year ended March 31, 2009 include:

- New shaft furnace (launched in August 2008 at the East Japan Works, Keihin)
- Kurashiki CDQ (launched in March 2009 at the West Japan Works, Kurashiki)
- Expanded use of regenerative burner for reheating furnace for heavy-gauge, hot rolled steel plate (East Japan Works, Chiba, and West Japan Works, Fukuyama)
- Expanded use of city gas infusions to blast furnaces (East Japan Works, Chiba)
- Super-SINTER™ (launched in January 2009 at the East Japan Works, Keihin)

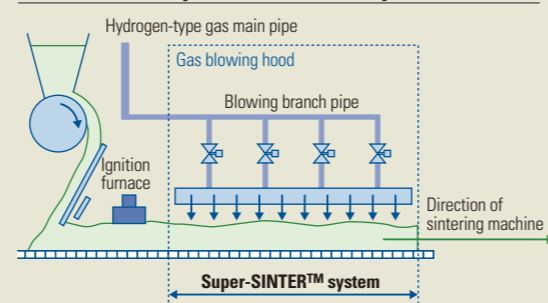
Structure of Shaft Furnace



World's First Application of Super-SINTER™ Technology for Infusing Hydrogen-Based Fuel into a Sintering Machine

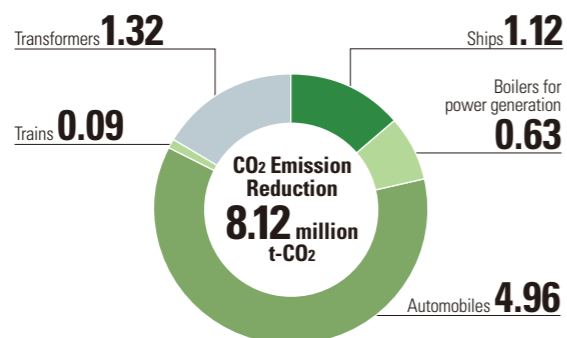
JFE Steel pioneered the commercial application of Super-SINTER™, a Secondary-fuel Injection Technology for Energy Reduction, for infusing hydrogen-based fuel into a sintering furnace. We began using this technology on a commercial basis in January 2009. Super-SINTER™ technology makes the sintering process more energy efficient, thereby greatly reducing CO₂ emissions while producing high quality sintered ore.

Outline of Super-SINTER™ System



Contributing to the Reduction of CO₂ through Our Products

CO₂ Emission Reduction Effect at the Stage of Using High Performance Steel Products (the year ended March 31, 2008)



Source: The Japan Iron and Steel Federation
 * Based on the "FYE 2008 Estimates" released by the Institute of Energy Economics, Japan.

JFE Steel is actively moving forward with the development of high performance steel products such as highly formable and tensile steel sheets that contribute to the development of lighter, more fuel efficient automobiles; high flux density and low iron loss electromagnetic steel sheets to increase the efficiency of transformers and motors.

According to the "FYE 2008 Estimates" released by the Institute of Energy Economics, Japan, member companies of the institute have cut 8.12 million tons of CO₂ emissions by supplying 4.47 million tons of the high performance steel products.

Fighting against Global Warming through the Application of Environmental and Energy Technologies

JFE Steel is using the world's most advanced energy-saving technologies to fight against global warming.

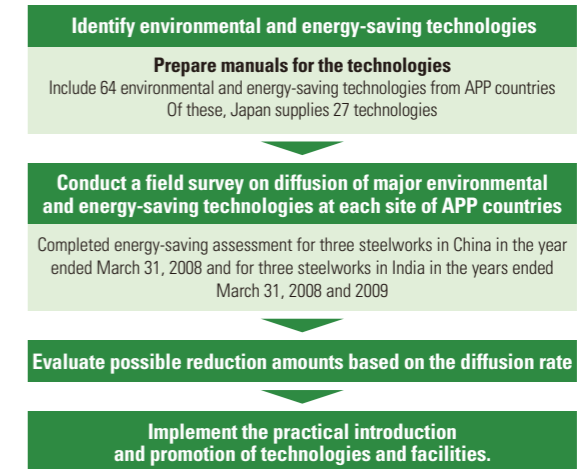
Exchange of Environmental Technology with China

The Japan Iron and Steel Federation and the China Iron & Steel Association have been holding an annual Japan China Steel Industries Conference on Exchange of Advanced Technologies on Environmental Preservation and Energy Saving since 2005. The fourth conference was held in March 2009 in Chiba and featured an active discussion of environmental protection technologies.

worldsteel*¹ Initiatives

- Promotion of optimal energy-saving technologies based on international comparisons of unit CO₂ emission data.
- Thorough reduction of CO₂ emissions by promoting the development of long-term, innovative technologies in individual countries.

Sectoral Approach*² for APP*³

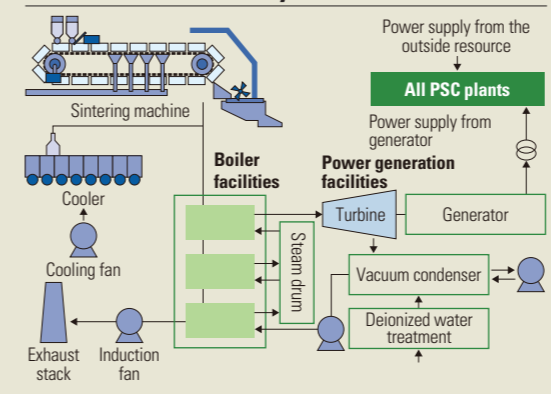


*¹ worldsteel
 The World Steel Association (worldsteel) represents approximately 180 iron producers/iron and steel institutes among 55 countries including Japan, the U.S., the EU, Russia, etc.
 *² The Sectoral Approach
 A CO₂ reduction approach that applies efficiency indices categorized by each sector, such as steel (example: unit CO₂ per ton of crude steel). This indices-based approach is easy to adopt even for developing countries such as China and India, being a reliable method of reducing CO₂ backed by technology.
 *³ APP
 The Asia-Pacific Partnership on Clean Development and Climate (APP) is an international organization to address environmental issues such as climate change and energy security, launched in July 2005 with the participation of Japan, Australia, China, India, Korea, the U.S., and from October 2007, Canada.

New Power Generation by Waste Heat Recovery Launched at PSC

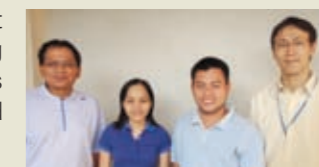
JFE Steel has transferred to Philippine Sinter Corporation (PSC)*¹ its technology for recovering waste heat from the sintering process and using the heat to generate electricity. PSC operation began using this technology on September 8, 2008. JFE Steel will acquire Certified Emission Reductions through this CDM*² project with PSC.

Outline of Power Generation by PSC Waste Heat Recovery



Comments of Project Participants

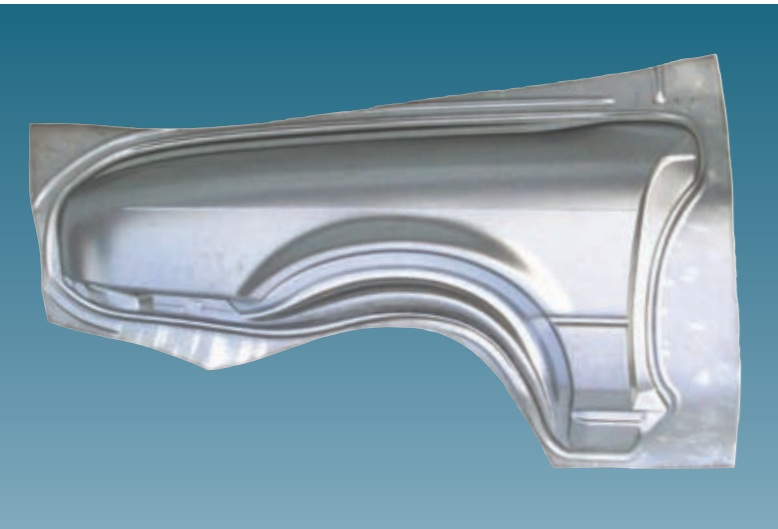
The waste heat recovery facility is operating steadily, and we believe the UN will approve Certified Emission Reductions in the near future. Looking ahead, we would like to contribute to measures against global warming in the Philippines through this kind of activity.



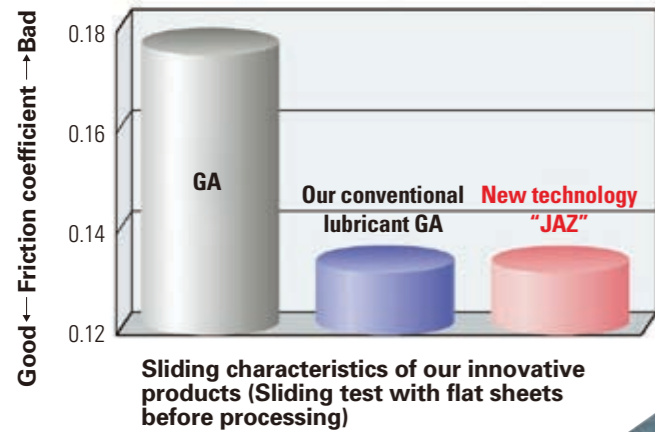
Toshimitsu Hayashi (right), Executive Advisor for HR and Corporate Planning, Philippine Sinter Corporation

*¹ PSC (Philippine Sinter Corporation)
 A subsidiary in Mindanao in the Philippines, manufacturing sintered ore as a raw material for steel production.
 *² CDM (Clean Development Mechanism)
 A system introduced in the Kyoto Protocol wherein developed nations supply developing nations with technology and funds to reduce CO₂ emissions, and in return the supplying country can list the reductions in their own target achievement records.

JFE's Technologies which Contribute to Global Environmental Protection



1,200 t actual press test (Fender model)



Protecting the Environment with Heavy Metal-Free Products

Highly-lubricated automotive galvanized (GA) steel sheets "JAZ"® (JFE Advanced Zinc)"

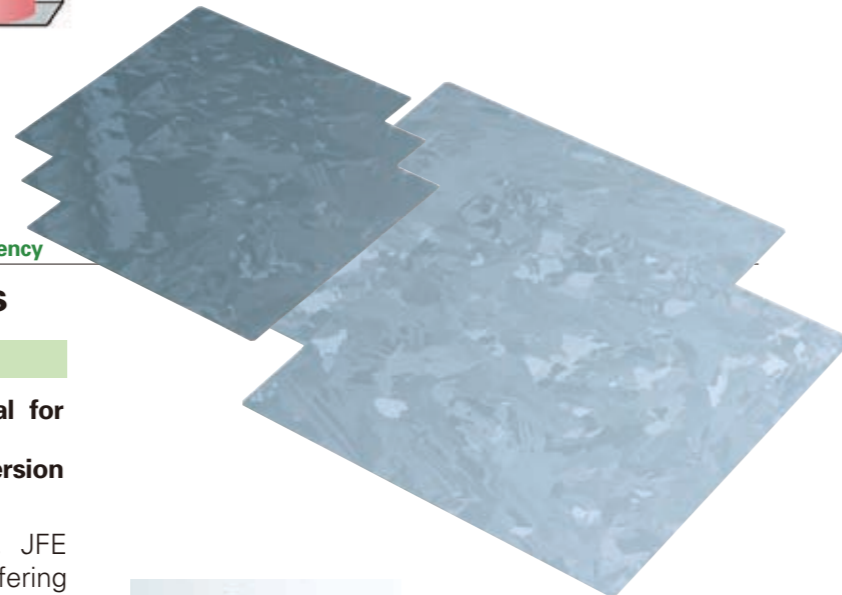
POINT

- Anti-corrosion steel sheets with excellent press formability
- Environmentally friendly and heavy metal free

A GA steel sheet* offers improved press formability through optimization of its nano-level surface structure. It is favorable for automobile side panels, fenders, doors, and wheel housings as well as other difficult-to-form outer panels and various inner panels.

* GA steel sheet is an abbreviation of "galvanized steel sheet."

URL <http://www.jfe-steel.co.jp/products/car/products/surface/jaz/index.html>



Polycrystalline silicon wafers for solar batteries



Silicon block

Achieved the World's Highest Level of Conversion Efficiency

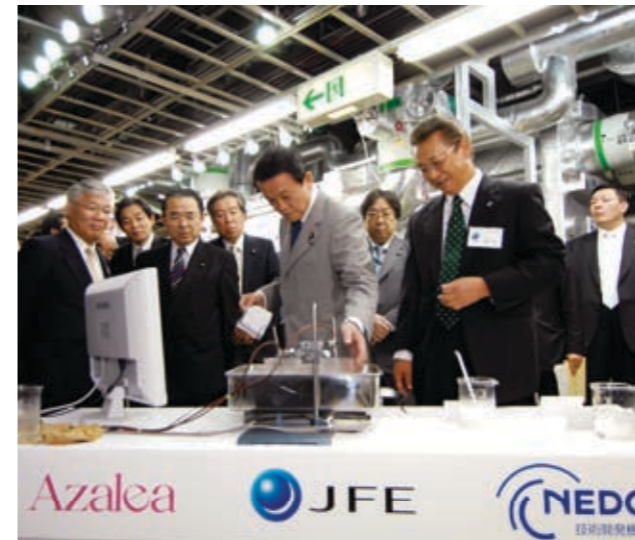
Silicon Wafer for Solar Batteries

POINT

- A material used for solar batteries, critical for fighting against global warming
- Achieves the world's highest level of conversion efficiency

Using its advanced solidification technology, JFE Steel is manufacturing polycrystalline wafers offering world-class energy conversion efficiency (approx. 17%). The company is also applying highly sophisticated metallurgical technologies, such as electron beam refining and vacuum plasma melting, to manufacture the highest grade of solar grade (SOG) silicon in the world.

URL <http://www.jfe-steel.co.jp/release/2006/07/060726.html>



Prime Minister Aso examining the CHS air conditioning system installed in the Azalea underground shopping mall in Kawasaki.

Sufficient Energy-Saving and CO₂ Emission Reductions

Clathrate Hydrate Slurry (CHS) Heat Storage Air Conditioning System

POINT

- Uses a fluid with cold storage capacity twice that of water to realize energy savings and reduced CO₂ emissions
- Suited for use in underground shopping malls, commercial buildings, and a wide variety of other facilities
- Reduces CO₂ emissions from air conditioning by 40% (Azalea underground shopping mall in Kawasaki)

The CHS air conditioning system uses a hydrate slurry that can store over twice the amount of cold energy as water used in conventional air conditioning systems. Having first been introduced in office buildings in the year ended March 31, 2006, this system is now being used in underground shopping malls, large commercial buildings, factories, and a wide variety of other facilities.

URL http://www.jfe-eng.co.jp/product/environment_energy/environment_energy1211.html

Helping to Build a Fuel Cell Society

Hydrogen Gas Tanks

POINT

- Core high-pressure gas tank technology for a wide variety of needs
- Currently testing a jointly developed fuel cell turret cart

JFE Steel developed the gas tank (13-l capacity, 190-mm diameter, 840-mm length, 35 MPa) and related systems for a turret cart powered by hydrogen fuel cells. Turret carts are used to transport goods in fresh food markets and within factories. With fuel cells increasingly being used in transportation, medical, and environmental applications, the company aims to contribute in a wide variety of ways based on its high-pressure gas tank technology.

URL <http://www.jfe-steel.co.jp/products/car/products/others/cylinder/index.html>
<http://www.jfecon.jp/product/g01.html>



Turret cart equipped with hydrogen gas tanks



Hydrogen gas tanks up close (under the cargo bed)

JFE Group Social and Environmental Efforts

Helping to Protect Marine Ecosystems

Ship Ballast Water Treatment System

POINT

- Compact and easily installed in ships
- Controls ballast water to help protect marine ecosystems

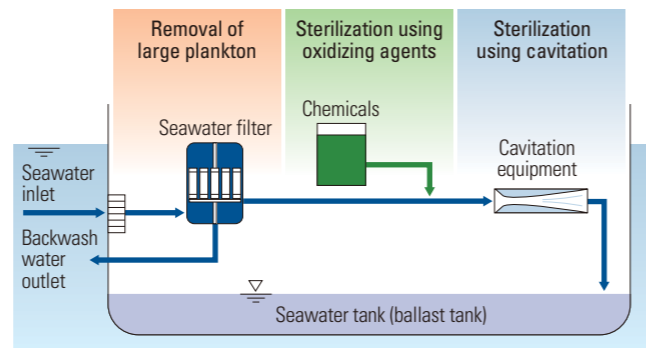
Ships with no cargo carry ballast water (seawater) to maintain their balance. When they enter a port and take on cargo, they release the ballast water they originally took in at a different port. The transfer of plankton and other organisms through such releases impacts marine ecosystems and has become an international problem. To address that problem, JFE Group has applied its water treatment, mechanical, and shipbuilding technologies to develop a compact, high-performance ballast water treatment system.

URL <http://www.jfe-eng.co.jp/product/environment/environment2271.html>



Ballast Water Processing System

Pumping ballast water into the ballast tanks (when unloading at ports)



Voyage Support System

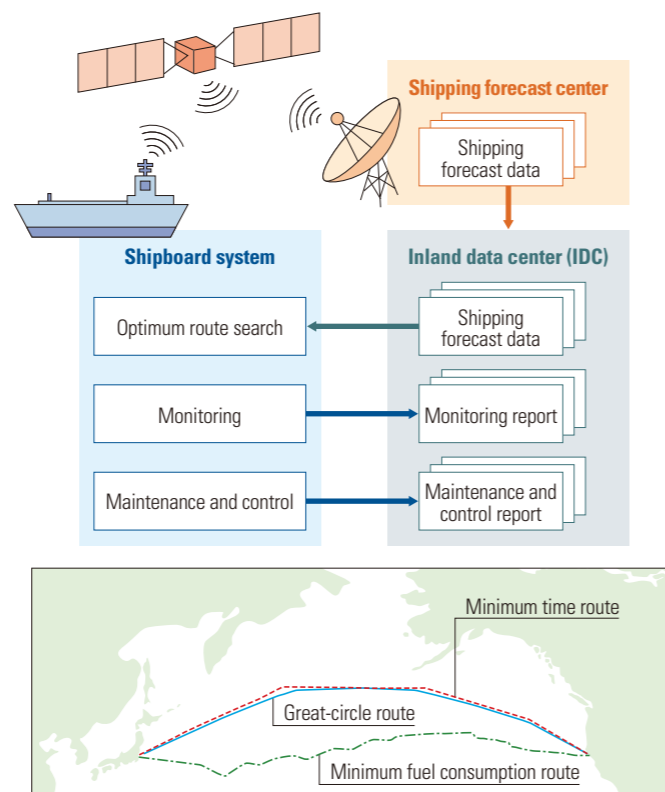
“Sea-Navi®”

POINT

- Optimizes ship navigation to reduce fuel consumption
- Recommends optimum routes based on the weather
- Two-year test under actual operating conditions in progress

Optimizing shipping routes can effectively reduce the fuel consumption, as well as by improving vessel shapes and propulsion performance. Sea-Navi®, a voyage support system that takes its name from a car navigation system, is designed for this purpose. Before leaving port, the system provides the best routing plan considering fuel consumption, punctuality, and safety. While the vessel is underway, the system can adjust the plan depending on the conditions which are always changeable, as well as displaying the results of fatigue life evaluation of the hull structure and a recommended maintenance plan.

URL <http://www.u-zosen.co.jp/giken/review02.html>



Yoshinao Kozuma

Professor, Faculty of Economics, Sophia University

1. JFE Efforts regarding Climate Change

Efforts to address climate change issues remain the most important criteria for evaluating the JFE Group’s social and environmental activities, given that its core businesses are in energy-intensive industries. It is highly likely that obligations to further reduce greenhouse gases within a post-Kyoto Protocol international framework will become more rigorous at the next climate change meeting in December 2009, and an even stricter greenhouse gases emissions cap will be imposed on energy-intensive industries. As a result, such business activities may be exposed to significant regulatory risk, and this in turn may adversely affect their financial position over the mid term.

From this perspective, my opinion is that JFE Steel has made a solid effort, taking into consideration its exposure to higher climate change risk. Consistent with the Group’s Corporate Vision of “contributing to society with the world’s most innovative technology,” JFE Steel has leveraged its advanced technical capabilities to reduce CO₂ emissions at the production stage. The company has also introduced Coke Dry Quenching (CDQ) and Blast Furnace Top Pressure Recovery Turbine Generation waste heat/pressure recovery technologies, as well as other new energy-saving technologies such as shaft furnaces, regenerative burners, and Super-SINTER™. As a result, the company has managed to reduce its CO₂ emissions by 8.9% and unit emissions by a significant 19%, compared to the year ended March 31, 1991, despite a 13% increase in crude steel production.

JFE Steel uses its technical capabilities for the benefit of other countries as well. Through its participation in COURSE 50, a Japan Iron and Steel Federation project pertaining to CO₂ emissions reduction technology, the company has worked to develop physical adsorption and other innovative technologies, and actively promotes technology transfers to developing countries.

On the financial front, JFE Steel is strengthening its financial position to secure higher profitability in a low-carbon society by offering a broad range of high-value-added products. JFE Steel is clearly demonstrating its strategy of positioning itself to meet future demand in the market for low-carbon products.

Nevertheless, JFE Steel still needs to do more to reduce its energy consumption. The company reported a mere 7.7% reduction compared to the year ended March 31, 1991, falling short of the 10% reduction target indicated in the Japan Iron and Steel Federation’s Voluntary Action Program. If the company can apply its outstanding technical strengths to further reduce energy consumption through innovation, then it will be rewarded with greater market competitiveness. Therefore, I expect JFE Steel to forge ahead with its advances in carbon management through technology development.

2. Information Disclosure

The Group has reduced by about 20–30% the volume of both its 2009 Business Report and 2009 Environmental Sustainability Report (Web information). Some changes, such as eliminating large photos, don’t give the impression that the reports are skimping on content. However, the social information provided, which always has been somewhat sparse, fails to demonstrate any real improvements in disclosure, barely managing to maintain the level of the previous year.

If we are to realize a sustainable society, then along with focusing on environmental considerations we must also avoid neglecting social considerations. I hope to see the Group make renewed efforts to improve the quality of social information in order to more clearly demonstrate its consideration for socially vulnerable groups both inside and outside the organization.

3. Radical Change in Thinking about Fair Trade

As discussed in this Business Report, the JFE Group was again reported to have engaged in unfair trade practices last year. The Group’s serious efforts towards compliance education over the past several years do not seem to have been sufficient to sweep away the negative legacy of the past. Although the Group was able to implement meaningful remedial action as soon as its price cartel for galvanized steel sheet was revealed, it must continue to thoroughly reinforce awareness-raising practices throughout the Group if it is to reduce the risk of future incidents and regain society’s trust.

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Five-year Financial Summary

JFE Holdings, Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2009	2008	2007	2006	2005
Operating results (for the year)					
Net sales	¥ 3,908,282	¥ 3,539,802	¥ 3,260,447	¥ 3,098,374	¥ 2,803,699
Operating income	407,806	510,518	503,938	517,171	467,237
Ordinary income before interest and discount expenses *1 *2	423,068	520,996	528,918	533,114	482,451
Ordinary income *1	400,562	502,974	513,520	517,313	460,684
Net income	194,229	261,845	299,683	325,996	160,057
Cash flows (for the year)					
Cash flows from operating activities	243,712	438,257	417,645	401,973	462,535
Cash flows from investing activities	350,136	(297,209)	(292,750)	(116,224)	(109,518)
Free cash flows *3	(106,424)	141,048	124,895	285,749	353,017
Cash flows from financing activities	260,065	(125,473)	(113,304)	(316,127)	(369,873)
Financial position (at the year end)					
Total assets	4,328,901	4,170,080	3,872,142	3,630,322	3,656,389
Property, plant and equipment, net	1,843,232	1,843,483	1,816,514	1,827,342	1,846,109
Net assets *4	1,378,041	1,541,680	1,539,621	1,310,381	968,614
Debt outstanding	1,768,747	1,281,936	1,180,532	1,162,857	1,446,785
Capital investment and others					
Capital investment	289,582	223,644	193,596	178,358	157,235
Depreciation and amortization	247,774	220,459	176,794	175,057	179,770
R&D expenses	41,938	39,483	38,149	38,193	37,192
Crude steel output (thousand tons)	29,280	34,273	32,828	30,145	31,281
Employees	56,547	56,688	53,610	53,111	52,503
Ratio					
Return on sales (ROS) *5	10.2%	14.2%	15.8%	16.7%	16.4%
Return on assets (ROA) *6	10.0%	13.0%	14.1%	14.6%	13.1%
Return on equity (ROE) *7	13.7%	17.5%	21.3%	28.6%	18.7%
Equity capital ratio *8	30.9%	35.9%	38.8%	36.1%	26.5%
Debt-to-equity ratio *9	132.4%	85.7%	78.6%	88.7%	149.4%
YEN					
Per share data					
Net income	¥ 355.64	¥ 450.58	¥ 513.58	¥ 555.02	¥ 273.97
Net assets*4	2,526.26	2,619.11	2,548.09	2,236.32	1,652.31
Cash dividends	90.00	120.00	120.00	100.00	45.00

Notes: *1 Ordinary income = Operating income + non-operating income - non-operating expenses

*2 Ordinary income before interest and discount expenses = Ordinary income + Interest and discount expenses

*3 Free cash flows = Cash flows from operating activities + cash flows from investing activities

*4 Figures for the year ended March 31, 2006 and earlier represent "shareholders' equity" prior to adoption of ASBJ Statement No.5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet."

*5 Return on sales (ROS) = Ordinary income/Net sales x 100

*6 Return on assets (ROA) = (Ordinary income + interest and discount expenses) / total assets * 100

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

*7 Return on equity (ROE) = Net income / total shareholders' equity ** x 100
As for the calculation for the year ended March 2006 and earlier, Return on Equity = net income / average shareholders' equity for the term x 100

** (Total shareholders' equity at beginning of term + total shareholders' equity at end of term) / 2

*8 Figures for the year ended March 2006 and earlier represent "shareholders' equity ratio."

*9 Debt-to-equity ratio = debt outstanding / total shareholders' equity x 100
As for the calculation for the year ended March 2006 and earlier, debt-to-equity ratio = debt outstanding / total shareholders' equity x 100

*10 Regarding hybrid bonds, in the estimation of two rating agencies D/E ratio when 75% of the issue price of 300 billion is considered capital

Consolidated Balance Sheets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Assets			
Current assets:			
Cash and deposits (Note 3)	¥ 217,990	¥ 47,366	\$ 2,219,179
Notes and accounts receivable	535,199	577,278	5,448,427
Allowance for doubtful accounts	(876)	(938)	(8,917)
Merchandise and finished goods	238,798	249,773	2,431,008
Work in process	182,996	177,262	1,862,933
Raw materials and supplies	406,539	294,404	4,138,643
Deferred tax assets (Note 13)	52,301	51,536	532,434
Other current assets (Note 6)	128,171	105,955	1,304,805
Total current assets	1,761,121	1,502,638	17,928,545
Property, plant and equipment (Note 6):			
Land (Note 7)	531,601	538,440	5,411,798
Buildings and structures	1,649,832	1,646,284	16,795,602
Machinery and equipment	5,296,469	5,162,849	53,919,057
Construction in progress	76,280	74,730	776,544
Sub total	7,554,183	7,422,304	76,903,013
Accumulated depreciation	(5,710,951)	(5,578,820)	(58,138,562)
Property, plant and equipment, net	1,843,232	1,843,483	18,764,450
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	202,265	178,249	2,059,095
Investments in securities (Notes 4 and 6)	245,748	415,286	2,501,761
Allowance for doubtful accounts	(5,576)	(9,309)	(56,764)
Deferred tax assets (Notes 13)	93,214	47,741	948,936
Other assets (Note 6)	188,895	191,990	1,922,986
Total investments and other assets	724,548	823,958	7,376,035
Total assets	¥ 4,328,901	¥ 4,170,080	\$ 44,069,031

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Liabilities			
Current liabilities:			
Short-term borrowings	¥ 8,845	¥ 11,718	\$ 90,043
Current portion of long-term debt (Note 5)	228,122	254,414	2,322,325
Commercial paper	175,935	30,978	1,791,051
Notes and accounts payable	352,315	472,963	3,586,633
Accrued income taxes	48,043	61,064	489,086
Allowance for losses on construction projects	26,401	18,296	268,767
Other current liabilities	451,295	485,934	4,594,268
Total current liabilities	1,290,961	1,335,371	13,142,227
Long-term liabilities:			
Long-term debt (Note 5)	1,355,843	984,826	13,802,738
Accrued retirement benefits (Note 8)	144,586	152,278	1,471,912
Reserve for rebuilding furnaces	41,778	40,334	425,307
Deferred tax liabilities (Notes 7 and 13)	22,070	22,232	224,676
Allowance for losses on specific waste disposal business	44,711	51,043	455,166
Other long-term liabilities	50,908	42,312	518,253
Total liabilities	1,659,899	1,293,028	16,898,086
Total long-term liabilities	2,950,860	2,628,400	30,040,313
Contingencies (Note 9)			
Net assets			
Shareholders' equity:			
Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2009	147,143	147,143	1,497,943
614,438,399 shares as of March 31, 2008			
Capital surplus	657,387	657,597	6,692,324
Retained earnings	1,005,066	897,969	10,231,762
Treasury stock, at cost:			
85,633,905 shares as of March 31, 2009	(426,649)	(270,927)	(4,343,367)
43,056,685 shares as of March 31, 2008			
Total shareholders' equity	1,382,947	1,431,782	14,078,662
Valuation and translation adjustments:			
Net unrealized gains and losses on securities	(12,575)	72,491	(128,015)
Net unrealized gains and losses on hedges	(1,221)	(469)	(12,430)
Revaluation reserve for land, net of tax (Note 7)	14,755	5,658	150,208
Translation adjustments	(48,010)	(12,949)	(488,750)
Total valuation and translation adjustments	(47,052)	64,731	(478,998)
Minority interests (Note 7)	42,145	45,167	429,044
Total net assets	1,378,041	1,514,680	14,028,718
Total liabilities and net assets	¥ 4,328,901	¥ 4,170,080	\$ 44,069,031

Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales	¥ 3,908,282	¥ 3,539,802	\$ 39,787,050
Cost of sales	3,199,268	2,721,330	32,569,154
Gross profit	709,013	818,471	7,217,886
Selling, general and administrative expenses	301,207	307,952	3,066,344
Operating income	407,806	510,518	4,151,542
Non-operating income (expenses):			
Interest income	1,233	1,758	12,552
Interest expense	(22,506)	(18,022)	(229,115)
Dividends received	9,003	7,576	91,652
Equity in earnings of affiliates	22,867	25,752	232,790
Other, net	(17,842)	(24,609)	(181,634)
Ordinary income	400,562	502,974	4,077,797
Extraordinary loss (note 16)	(69,524)	(55,772)	(707,767)
Income before income taxes and minority interests	331,038	447,201	3,370,029
Income taxes (note 13):			
Current	131,212	176,934	1,335,763
Deferred	5,396	5,116	54,932
	136,609	182,051	1,390,705
Income before minority interests	194,429	265,150	1,979,324
Minority interests	(199)	(3,305)	(2,025)
Net income	¥ 194,229	¥ 261,845	\$ 1,977,287
		Yen	U.S. dollars (Note 1)
	2009	2008	2009
Basic net income per share	¥ 355.64	¥ 450.58	\$ 3.62
Diluted net income per share	338.36	423.04	3.44
Cash dividends per share	90.00	120.00	0.91

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 331,038	¥ 447,201	\$ 3,370,029
Adjustments for:			
Depreciation and amortization	247,774	220,459	2,522,386
Decrease in reserves	(9,014)	(6,848)	(91,764)
Interest and dividend income	(10,236)	(9,335)	(104,204)
Interest expense	22,506	18,022	229,115
Profit on sales of property, plant and equipment	—	(2,310)	—
Profit on sales of shares of affiliate companies	—	(4,562)	—
Loss on impairment of property, plant and equipment	—	2,200	—
Write-down of investments in securities	—	1,032	—
Loss on liquidation of affiliate companies	—	3,782	—
Provision for allowance for losses from lawsuits	—	4,248	—
Provision for allowance for losses on specific waste disposal business	—	51,382	—
Changes in assets and liabilities:			
Changes in notes and accounts receivable	34,863	(37,025)	354,911
Changes in inventories	(110,769)	(64,833)	(1,127,649)
Changes in notes and accounts payable	(134,847)	10,607	(1,372,767)
Other, net	45,064	(18,489)	458,760
Sub total	416,378	615,531	4,238,806
Interest and dividend income received	20,726	17,926	210,994
Interest paid	(21,550)	(17,802)	(219,383)
Income taxes paid	(171,842)	(200,942)	(1,749,384)
Other, net	—	23,544	—
Net cash provided by operating activities	243,712	438,257	2,481,034
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(291,667)	(222,171)	(2,969,225)
Proceeds from sales of property, plant and equipment	4,490	9,829	45,709
Payments for purchases of investments in securities	(77,521)	(83,751)	(789,178)
Proceeds from sales of investments in securities	19,856	2,166	202,137
Purchases of shares of subsidiaries	—	(27,061)	—
Other, net	(5,295)	23,780	(53,904)
Net cash used in investing activities	(350,136)	(297,209)	(3,564,450)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	143,186	(37,176)	1,457,660
Increase in long-term debt	600,907	533,516	6,117,347
Repayments of long-term debt	(254,103)	(383,580)	(2,586,816)
Payments for purchases of treasury stock	(154,350)	(144,034)	(1,571,312)
Payments for dividends by parent company	(67,379)	(75,632)	(685,930)
Other, net	(8,194)	(18,564)	(83,416)
Net cash provided by (used in) financing activities	260,065	(125,473)	2,647,510
Effect of exchange rate change on cash and cash equivalents	653	(8,001)	6,647
Net increase in cash and cash equivalents	154,296	7,573	1,570,762
Cash and cash equivalents at beginning of the year	52,178	45,061	531,181
Increase (decrease) in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	131	(456)	1,333
Cash and cash equivalents at end of the year (note 3)	¥ 206,605	¥ 52,178	\$ 2,103,278

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2007	¥142,334	¥652,820	¥ 713,381	¥(127,372)	¥1,381,164
Issuance of common stock	4,808	4,805			9,614
Cash dividends			(75,817)		(75,817)
Net income			261,845		261,845
Acquisition of treasury stock				(144,034)	(144,034)
Disposal of treasury stock		(29)		480	450
Increase by newly consolidated or deconsolidated subsidiaries			92		92
Decrease by newly consolidated or deconsolidated subsidiaries			(990)		(990)
Transfer from land revaluation account			63		63
Decrease due to assets revaluation of a subsidiary in Thailand			(604)		(604)
Net changes in items other than shareholders' equity					–
Total changes in items during the year	4,808	4,776	184,587	(143,554)	50,617
Balance at March 31, 2008	¥147,143	¥657,597	¥ 897,969	¥(270,927)	¥1,431,782
Changes in accounting policies applied to foreign subsidiaries			(10,507)		(10,507)
Cash dividends			(67,422)		(67,422)
Net income			194,229		194,229
Acquisition of treasury stock				(156,483)	(156,483)
Disposal of treasury stock		(209)	(153)	761	398
Transfer from land revaluation account			(9,049)		(9,049)
Net changes in items other than shareholders' equity					–
Total changes in items during the year		(209)	117,604	(155,722)	(38,327)
Balance at March 31, 2009	¥147,143	¥657,387	¥1,005,066	¥(426,649)	¥1,382,947

	Millions of yen						
	Shareholders' equity						
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥132,985	¥ 920	¥ 5,713	¥(19,689)	¥119,929	¥38,527	¥1,539,621
Issuance of common stock							9,614
Cash dividends							(75,817)
Net income							261,845
Acquisition of treasury stock							(144,034)
Disposal of treasury stock							450
Increase by newly consolidated or deconsolidated subsidiaries							92
Decrease by newly consolidated or deconsolidated subsidiaries							(990)
Transfer from land revaluation account							63
Decrease due to assets revaluation of a subsidiary in Thailand							(604)
Net changes in items other than shareholders' equity	(60,493)	(1,390)	(54)	6,739	(55,198)	6,639	(48,558)
Total changes in items during the year	(60,493)	(1,390)	(54)	6,739	(55,198)	6,639	2,059
Balance at March 31, 2008	¥ 72,491	¥ (469)	¥ 5,658	¥(12,949)	¥64,731	¥45,167	¥1,541,680
Changes in accounting policies applied to foreign subsidiaries							(10,507)
Cash dividends							(67,422)
Net income							194,229
Acquisition of treasury stock							(156,483)
Disposal of treasury stock							398
Transfer from land revaluation account							(9,049)
Net changes in items other than shareholders' equity	(85,067)	(751)	9,096	(35,060)	(111,783)	(3,021)	(114,804)
Total changes in items during the year	(85,067)	(751)	9,096	(35,060)	(111,783)	(3,021)	(153,132)
Balance at March 31, 2009	¥(12,575)	¥(1,221)	¥14,755	¥(48,010)	¥(47,052)	¥42,415	¥1,378,041

Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

	Thousands of US dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2008	\$1,497,943	\$6,694,461	\$ 9,141,494	\$(2,758,088)	\$14,575,811
Changes in accounting policies applied to foreign subsidiaries			(106,963)		(106,963)
Cash dividends			(686,368)		(686,368)
Net income			1,977,287		1,977,287
Acquisition of treasury stock				(1,593,026)	(1,593,026)
Disposal of treasury stock		(2,127)	(1,557)	7,747	4,051
Transfer from land revaluation account			(92,120)		(92,120)
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(2,127)	1,197,230	(1,585,279)	(390,176)
Balance at March 31, 2009	\$1,497,943	\$6,692,324	\$10,231,762	\$(4,343,367)	\$14,078,662

	Thousands of US dollars						
	Valuation and translation adjustments						
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	\$ 737,972	\$ (4,774)	\$ 57,599	\$(131,823)	\$ 658,973	\$459,808	\$15,694,594
Changes in accounting policies applied to foreign subsidiaries							(106,963)
Cash dividends							(686,368)
Net income							1,977,287
Acquisition of treasury stock							(1,593,026)
Disposal of treasury stock							4,051
Transfer from land revaluation account							(92,120)
Net changes in items other than shareholders' equity	(865,998)	(7,645)	92,599	(356,917)	(1,137,972)	(30,754)	(1,168,726)
Total changes in items during the year	(865,998)	(7,645)	92,599	(356,917)	(1,137,972)	(30,754)	(1,558,912)
Balance at March 31, 2009	\$(128,015)	\$(12,430)	\$150,208	\$(488,750)	\$(478,998)	\$431,792	\$14,028,718

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2009 and 2008

1. Basis of Presentation

The accompanying consolidated financial statements of JFE Holdings, Inc. (the "Company" hereinafter) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company's overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The notes to the consolidated financial statements include information that is not required under the Japanese GAAP but is presented herein as additional information.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2009, which was ¥98.23 to US\$1.00. These convenient translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of the Company's 208 domestic and foreign subsidiaries (the "Group" as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

39 affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

Effective from the fiscal year beginning April 1, 2008, the Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006). As a result, there was no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2009.

In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," which is effective for fiscal years beginning on or after April 1, 2008. The Company has adopted this new accounting standard effective April 1, 2008. As a result, there was no effect on operating in-

come and income before income taxes and minority interests for the year ended March 31, 2009.

(b) Translation of Foreign Currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made, and assets and liabilities are translated into Japanese yen at the exchange rates in effect on the respective balance sheet date.

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for shareholders' equity, which is translated at historical rates. Differences arising from such translation are shown as "translation adjustments" in a separate component of net assets in the balance sheet.

(c) Valuation of Securities

Available-for-sale Securities

Marketable:

Valued primarily at market based on an average of the market prices for a period of one month prior to the settlement date. (Valuation differences are recorded as net unrealized gains on securities, net of tax, in net assets in balance sheet by the direct capitalization method, with the costs of sales calculated primarily by the moving average method.)

Non-marketable:

Valued primarily at cost by the moving average method.

(d) Valuation of Inventories

Prior to April 1, 2008, inventories were stated at cost, determined by the last in first out (LIFO) method. In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories," which was effective for fiscal years beginning on or after April 1, 2008. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expense. The replacement cost may be used in place of net selling value, if appropriate.

The Company has applied the new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2009 by ¥17,555 million (\$178,713 thousand), compared to the previous method.

(e) Depreciation Method for Property, Plant and Equipment (except for leased assets)

Depreciation is calculated primarily by the declining balance method.

Effective from the fiscal year beginning April 1, 2007, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries have depreciated property, plant and equipment acquired on or after April 1, 2007 in accordance with the methods stipulated in the amended Corporate Tax Law. As a result, for the year ended March 31, 2008, depreciation expense increased by ¥4,441 million, operating income decreased by ¥4,381 million and ordinary income and income before taxes and minority interests decreased by ¥4,392 million, respectively, compared to the previous methods.

Pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007, up to 5% of acquisition cost, based on the prior Corporate Tax Law, the Company and its domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight line method over 5 years. The straight-line depreciation starts from the next year, when the book value of property, plant and equipment acquired on or before March 31, 2007 reaches 5% of the acquisition cost. As a result, for the year ended March 31, 2008, depreciation expense increased by ¥33,493 million, operating income decreased by ¥32,743 million and ordinary income and income before taxes and minority interests decreased by ¥32,925 million, respectively, compared to the previous methods.

Effective from the fiscal year beginning April 1, 2008, the Company and its domestic subsidiaries have changed the estimates for useful lives of machinery pursuant to the revision to the Corporation Tax Law. As a result, for the year ended March 31, 2009, depreciation expense increased by ¥7,723 million (\$78,621 thousand), operating income decreased by ¥7,400 million (\$75,333 thousand) and ordinary income and income before taxes and minority interests decreased by ¥7,474 million (\$76,086 thousand), respectively, compared to the previous method.

(f) Intangible Fixed Assets

Amortization of intangible assets is calculated primarily by the straight-line method.

Amortization of the software for internal use is computed by the straight-line method based on the estimated useful lives (5 years).

(g) Bond Issuance Costs

Bond issuance costs are amortized using straight-line method over the period up to redemption (immaterial costs are expensed as incurred)

Prior to April 1, 2007, bond issuance costs were fully expensed as incurred. Effective for the year ended March 31, 2008, however, as the huge bond issuance costs were incurred in connection with a first issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement), the Company changes the accounting treatment of the bond issuance costs to amortize using the straight-line method over the redemption period (immaterial expenses are expensed as incurred) to realize more appropriate allocation of financing costs. As a result, for the year ended March 31, 2008, other expenses decreased by ¥2,179 million and operating income, ordinary income and income before taxes and minority interests increased by ¥2,179 million, respectively, compared to the previous method.

(h) Allowance for Doubtful Accounts

The projected uncollectible amount is provided as the allowance using historical default rates in the past for ordinary credits and individual collectability assessments for credits deemed to have high likelihood of default and for other specific credits.

(i) Allowance for Losses on Construction Projects

Allowance for losses on construction projects is provided for estimated future losses related to current construction contracts.

(j) Accrued Retirement Benefits

Accrued retirement benefits are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the fiscal period.

Prior service cost is amortized in projected average years of service of the employees.

Actuarial losses are amortized in projected average years of service of the employees from the following fiscal year after the year in which they occurred.

(k) Reserve for Rebuilding Furnaces

The estimated cost of the next repair is allocated to the reserves in equal amounts over the year to the next repair.

(l) Allowance for Losses on Specific Waste Disposal Business

Allowance for losses on specific waste disposal business is provided based on the estimated amount sufficient to cover probable loss that will be incurred in the following fiscal years.

(m) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits finance leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company has applied the revised accounting standard effective April 1, 2008. The effects of this change on operating income, ordinary income and income before income taxes and minority interests was immaterial.

All other leases are accounted for as operating leases.

(n) Revenue Recognition for Long-Term Construction-Type Contracts

The revenue of long-term construction-type contracts for Engineering business, in respect of over 1-year duration and ¥100 million in amount, is recognized by the percentage-of-completion method.

The revenue of long-term construction-type contracts for Shipbuilding business, in respect of over 1-year duration and ¥1 billion in amount, is recognized by the percentage-of-completion method.

(o) Consolidated Tax Return

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

(p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Net income used in the computation was ¥194,229 million (\$1,977,287 thousand) and ¥261,845 million, the average number of shares used in the computation was 546,134 thousand and 581,134 thousand for the years ended March 31, 2009 and 2008, respectively.

Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective year.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and deposits	¥ 217,990	¥47,366	\$ 2,219,179
Time deposits with a maturity of more than three months	(11,384)	(188)	(115,891)
Deposits paid included in other current assets		5,000	
	¥ 206,605	¥52,178	\$ 2,103,278

4. Securities

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2009 and 2008:

Marketable:	Millions of yen					
	Held-to-maturity securities					
	2009			2008		
Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	
Book value lower than estimated fair value:						
Bonds	¥199	¥201	¥1	¥213	¥215	¥1
Book value exceeding estimated fair value:						
Bonds	—	—	—	—	—	—
Total	¥199	¥201	¥1	¥213	¥215	¥1

	Millions of yen					
	Available-for-sale securities					
	2009			2008		
Cost	Book value (Estimated fair value)	Unrealized gain (loss)	Cost	Book value (Estimated fair value)	Unrealized gain (loss)	
Cost lower than book value:						
Equity securities	¥ 74,403	¥112,561	¥ 38,157	¥128,083	¥275,493	¥147,409
Bonds	35	36	1	35	36	1
Sub total	74,438	112,597	38,158	128,119	275,529	147,410
Cost exceeding book value:						
Equity securities	155,559	105,980	(49,579)	139,009	111,860	(27,149)
Bonds	—	—	—	—	—	—
Sub total	155,559	105,980	(49,579)	139,009	111,860	(27,149)
Total	¥229,997	¥218,577	¥(11,420)	¥267,128	¥387,389	¥120,261

	Thousands of U.S. dollars		
	Held-to-maturity securities		
	2009		
Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)	
Book value lower than estimated fair value:			
Bonds	\$2,025	\$2,046	\$10
Book value exceeding estimated fair value:			
Bonds	—	—	—
Total	\$2,025	\$2,046	\$10

	Thousands of U.S. dollars		
	Available-for-sale securities		
	2009		
Cost	Book value (Estimated fair value)	Unrealized gain (loss)	
Cost lower than book value:			
Equity securities	\$ 757,436	\$1,145,892	\$ 388,445
Bonds	356	366	10
Sub total	757,792	1,146,258	388,455
Cost exceeding book value:			
Equity securities	1,583,620	1,078,896	(504,723)
Bonds	—	—	—
Sub total	1,583,620	1,078,896	(504,723)
Total	\$2,341,413	\$2,225,155	\$(116,257)

Non-marketable: Available-for-sale securities:	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unlisted stocks, except OTC-traded stock	¥26,870	¥27,559	\$273,541
Unlisted bonds	89	111	906
Subscription certificates	11	11	111

5. Long-term Debt

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
0.89% yen bonds, due October 2008	¥ —	¥ 20,000	\$ —
0.75% yen bonds, due February 2009	—	20,000	—
1.00% yen bonds, due July 2010	20,000	20,000	203,603
0.64% yen bonds, due July 2010	30,000	30,000	305,405
0.98% yen bonds, due November 2010	20,000	20,000	203,603
1.44% yen bonds, due October 2011	20,000	20,000	203,603
Euro Yen Zero Coupon Guaranteed Convertible Bonds, due June 2009 (Note 1)	8,049	8,089	81,909
1.33% yen bonds, due April 2012	19,996	19,995	203,563
1.33% yen bonds, due November 2012	29,997	29,997	305,375
First issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement) (Note 2)	300,000	300,000	3,054,056
1.29% yen bonds, due June 2011	40,000	—	407,207
1.278% yen bonds, due September 2013	40,000	—	407,207
1.351% yen bonds, due September 2015	20,000	—	203,603
2.70% yen bonds (issued by JFE Steel), due April 2008	—	10,000	—
2.70% yen bonds (issued by JFE Steel), due April 2008	—	10,000	—
2.5% yen bonds (issued by JFE Steel), due June 2008	—	10,000	—
1.03% yen bonds (issued by JFE Steel), due June 2008	—	10,000	—
2.375% yen bonds (issued by JFE Steel), due November 2009	10,000	10,000	101,801
3.27% yen bonds (issued by JFE Steel), due November 2009	10,000	10,000	101,801
3.00% yen bonds (issued by JFE Steel), due January 2010	10,000	10,000	101,801
1.06% yen bonds (issued by JFE Steel), due March 2010	10,000	10,000	101,801
3.50% yen bonds (issued by JFE Steel), due May 2012	20,000	20,000	203,603
Loans, principally from banks and insurance companies, due 2009-2029	975,922	651,159	9,935,070
Less current portion	(228,122)	(254,414)	(2,322,325)
Total long-term debt	¥1,355,843	¥984,826	\$13,802,738

Notes:

1. Details of the Convertible Bond are as follows:

- Type of shares
Common stock
- Issue value of stock acquisition rights
Non-assessable
- Conversion price
¥3,465 per Share
- Total principal amount issued
¥102,500 million
- Total principal amount issued of new shares by exercise of rights
¥94,200 million
- The rate of granting of stock acquisition rights
100%
- Stock Acquisition Right exercise period

Stock Acquisition Rights may be exercised at any time from June 28, 2004 to the close of banking operations (local time of the party exercising) on June 10, 2009 (or the third banking day prior to redemption in the event of accelerated redemption of the Bond).

2. Details of the Convertible Bond are as follows:

- Type of shares
Common stock
- Issue value of stock acquisition rights
Non-assessable
- Conversion price
¥8,530 per Share
- Total principal amount issued
¥300,000 million
- Total principal amount issued of new shares by exercise of rights
No exercise
- The rate of granting of stock acquisition rights
100%
- Stock Acquisition Right exercise period

Stock Acquisition Rights may be exercised at any time from March 17, 2008 to the close of banking operations (local time of the party exercising) on July 22, 2013 (or the first banking day prior to redemption in the event of accelerated redemption of the Bond).

3. 10-year yen bond swap rate – 0.82%

6. Pledged Assets

At March 31, 2009 and 2008 pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and deposits	¥11,200	¥ –	\$114,018
Property, plant and equipment	74,544	109,344	758,872
Investments in securities	5,874	8,799	59,798
Others	69	77	702

The Company sets pledges as collateral on the consolidated subsidiaries' short-term loans receivable from the Company related to warranty for equipment performance (book value of ¥11,600 million [\$118,090 thousand] on the financial statements of individual consolidated subsidiaries at March 31, 2009).

The Company sets pledges for consolidated subsidiary shares (book value of ¥325 million [\$3,308 thousand] on the financial statements of individual consolidated subsidiaries at March 31, 2009 and 2008).

7. Revaluation of Land for Business

In the years ended March 31, 2001 and 2002, part of the subsidiaries and affiliates revaluated the land for business purposes based on the Law Concerning Revaluation of Land and its amendment issued on March 31, 2001 and 2002, respectively.

Revaluation differences, net of the portion charged to "deferred tax liabilities" and "minority interests," were recorded as "revaluation reserve for land, net of tax" in net assets.

The fair value of these lands is lower than the revaluated book-value, and the difference was ¥16,130 million (\$164,206 thousand) and ¥17,854 million on March 31, 2009 and 2008, respectively.

8. Accrued Retirement Benefits

The following tables set forth the changes in the benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2009 and 2008.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥ (470,509)	¥ (492,722)	\$ (4,789,870)
Fair value of plan assets	277,858	337,605	2,828,647
Unfunded retirement benefit obligation	(192,651)	(155,117)	(1,961,223)
Unrecognized net retirement benefit obligation at transition	754	896	7,675
Unrecognized actuarial losses	90,241	48,674	918,670
Unrecognized prior service cost (Note 1)	(129)	(1,037)	(1,313)
Net amount	(101,785)	(106,583)	(1,036,190)
Prepaid cost	42,801	45,694	435,722
Accrued retirement benefits	¥ (144,586)	¥ (152,278)	\$ (1,471,912)

Notes:

1. JFE Steel Corporation amended and raised the expected interest rate and the expected retirement benefit rate in the tax qualified pension plan on April 1, 2008, which incurred an increase in obligation for the prior service costs at March 31, 2008. As a result, the prior service cost incurred by this amendment of ¥6,127 million was recorded as the retirement benefit obligation as of March 31, 2008.

Retirement and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2009 and 2008.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost (Note 1)	¥18,364	¥17,510	\$186,948
Interest cost	7,240	7,442	73,704
Expected return on plan assets	(5,703)	(6,457)	(58,057)
Amortization:			
Net retirement benefit obligation at transition	128	128	1,303
Actuarial losses	11,342	6,606	115,463
Prior service cost	(922)	(1,592)	(9,386)
Accrued retirement benefit cost	30,450	23,637	309,986
Other (Note 2)	1,460	84	14,863
Total	¥31,911	¥23,722	\$324,860

Notes:

1. Accrued retirement benefit cost incurred by consolidated subsidiaries applying a simplified method to calculate retirement benefit obligation is included under "service cost."

2. Premiums on defined contribution plans for certain consolidated subsidiaries.

The rationale for calculations of retirement benefit obligations for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
1. Retirement benefit projection amortization method:	Primarily, the straight-line method over the period	Primarily, the straight-line method over the period
2. Discount rate:	Primarily 1.5%	Primarily 1.5%
3. Expected return on plan assets:	Primarily 1.7%	Primarily 1.6%
4. Amortization period for prior service cost:	Primarily 10 years (Treated as cost using the straight-line method for a set number of years within the average remaining service period for employees at the time of accrual.)	Primarily 10 years (Treated as cost using the straight-line method for a set number of years within the average remaining service period for employees at the time of accrual.)
5. Amortization period for actuarial losses:	Primarily 10 years (Amortized using the straight-line method over a set number of years within the average remaining service period for the employees during the consolidated fiscal year in which discrepancies were accrued. These amounts are treated as cost posted to the next consolidated fiscal year after the year in which they were accrued.)	Primarily 10 years (Amortized using the straight-line method over a set number of years within the average remaining service period for the employees during the consolidated fiscal year in which discrepancies were accrued. These amounts are treated as cost posted to the next consolidated fiscal year after the year in which they were accrued.)

9. Contingencies

At March 31, 2009 and 2008, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Guarantees of debt	¥16,075	¥28,270	\$163,646
Trade notes discounted	179	215	1,822
Trade notes endorsed	87	79	885

At March 31, 2009 and 2008, commitments outstanding for loan commitments were ¥781 million (\$7,950 thousand) and ¥500 million, respectively.

10. Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets. Total lease payments under these leases were ¥7,409 million for the year ended March 31, 2008.

As discussed in Note 2 (m), lease assets under finance leases that do not transfer ownership to lessees are capitalized and amortized to residual value of zero using the straight line method with useful life defined by the terms of the contract effective from the fiscal year beginning April 1, 2008. Pro forma information on leased property, such as acquisition costs, accumulated depreciation and net book value for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2008 was as follows:

	Millions of yen		
	2008		
	Machinery and Equipment	Others	Total
Acquisition costs	¥ 42,440	¥ 6,471	¥ 8,911
Accumulated depreciation	24,214	3,381	27,595
Accumulated impairment loss	167	–	167
Net book value	¥ 18,058	¥ 3,089	¥ 21,148

Future minimum lease payments under finance leases as of March 31, 2008 were as follows:

	Millions of yen
	2008
Due within one year	¥ 7,031
Due after one year	14,283
Total	¥21,315

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income, computed by the straight-line method, were ¥7,409 million for the year ended March 31, 2008.

Future minimum lease payments subsequent to March 31, 2009 and 2008 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009		
2010	¥ 1,419	\$14,445
2011 and thereafter	7,805	79,456
Total	¥ 9,224	\$93,902
2008		
2009	¥ 1,419	
2010 and thereafter	9,224	
Total	¥10,643	

11. Derivatives and Hedging Activities

The Group's basic policy is that derivative financial instruments are used to reduce the interest rate risk and foreign exchange rate risk, not to speculate. The Group has established controls including policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Group does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Interest rate swap agreements outstanding at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars
	2009	2008	2009	2008	2009
	Contracted amount	Recognized loss	Contracted amount	Recognized loss	Recognized loss
Interest rate swap agreements:					
To receive floating and pay fixed rates	¥6,230	¥ (298)	¥ 8,010	¥ (455)	\$ (3,033)
Total		¥ (298)		¥ (455)	\$ (3,033)

12. Research and Development Expenses

Research and development expenses charged to income were ¥41,938 million (\$426,936 thousand) and ¥39,483 million for the years ended March 31, 2009 and 2008, respectively.

13. Income Taxes

The reconciliation of the difference between the statutory tax rate and the effective tax rate is omitted since the difference is less than 5%.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2009 and 2008 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued retirement benefits	¥ 39,779	¥ 41,580	\$ 404,957
Loss on impairment of property, plant and equipment	21,802	11,867	221,948
Accrued expenses	20,429	22,487	207,971
Reserve for rebuilding furnaces	15,092	15,046	153,639
Loss carry-forwards	34,788	22,603	354,148
Allowance for losses on specific waste disposal business	18,331	20,928	186,613
Elimination of unrealized profits	15,710	15,291	159,930
Others	63,235	56,343	643,744
Total deferred tax assets	229,170	206,148	2,332,993
Valuation allowance	(73,452)	(50,188)	(747,755)
Deferred tax assets net of valuation allowances	155,718	155,960	1,585,238
Deferred tax liabilities:			
Unrealized gain on securities	—	(46,395)	—
Reserve for advanced depreciation of noncurrent assets	(9,837)	—	(100,142)
Reserve for special repairs	(4,793)	—	(48,793)
Others	(3,276)	(18,087)	(33,350)
Total deferred tax liabilities	(17,907)	(64,483)	(182,296)
Net deferred tax assets	¥ 137,810	¥ 91,477	\$ 1,402,931

14. Segment Information

Information regarding operations in industry segments, geographic segments and sales to foreign customers of the Group for the years ended and as of March 31, 2009 and 2008 was as follows:

(1) Industry Segments

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Sales:			
Steel			
Sales to customers	¥ 3,355,365	¥ 3,178,016	\$ 34,158,251
Inter-segment	67,999	25,325	692,242
Total sales	¥ 3,423,365	¥ 3,203,342	\$ 34,850,503
Engineering			
Sales to customers	¥ 319,598	¥ 294,325	\$ 3,253,568
Inter-segment	18,687	19,921	190,237
Total sales	¥ 338,285	¥ 314,247	\$ 3,443,805
Shipbuilding			
Sales to customers	¥ 181,306	—	\$ 1,845,729
Inter-segment	105	—	1,068
Total sales	¥ 181,412	—	\$ 1,846,808
Urban Development			
Sales to customers	¥ 24,161	¥ 24,514	\$ 245,963
Inter-segment	1,008	1,059	10,261
Total sales	¥ 25,170	¥ 25,573	\$ 256,235
LSI			
Sales to customers	¥ 27,849	¥ 42,946	\$ 283,508
Inter-segment	—	—	—
Total sales	¥ 27,849	¥ 42,946	\$ 283,508
Elimination / Corporate			
Sales to customers	—	—	—
Inter-segment	(87,801)	(46,306)	(893,830)
Total sales	¥ (87,801)	¥ (46,306)	\$ (893,830)
Consolidated total			
Sales to customers	¥ 3,908,282	¥ 3,539,802	\$ 39,787,050
Inter-segment	—	—	—
Total sales	¥ 3,908,282	¥ 3,539,802	\$ 39,787,050

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Operating Expenses:			
Steel	¥ 2,998,279	¥ 2,681,612	\$ 30,523,047
Engineering	333,672	331,372	3,396,844
Shipbuilding	196,663	—	2,002,066
Urban Development	28,785	23,775	293,036
LSI	31,853	41,017	324,269
Elimination / Corporate	(88,777)	(48,494)	(903,766)
Consolidated total	¥ 3,500,476	¥ 3,029,283	\$ 35,635,508

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Operating Income:			
Steel	¥ 425,085	¥ 521,730	\$ 4,327,445
Engineering	4,612	(17,125)	46,951
Shipbuilding	(15,250)	—	(155,247)
Urban Development	(3,614)	1,798	(36,791)
LSI	(4,003)	1,929	(40,751)
Elimination / Corporate	976	2,187	9,935
Consolidated total	¥ 407,806	¥ 510,518	\$ 4,151,542

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Ordinary Income:			
Steel	¥ 412,591	¥ 508,900	\$ 4,200,254
Engineering	9,950	(11,022)	101,292
Shipbuilding	(14,944)	—	(152,132)
Urban Development	(3,775)	1,478	(38,430)
LSI	(4,213)	1,137	(42,889)
Elimination / Corporate	953	2,480	9,701
Consolidated total	¥ 400,562	¥ 502,974	\$ 4,077,797

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Assets:			
Steel	¥ 3,631,671	¥ 3,641,232	\$ 36,971,098
Engineering	372,820	369,257	3,795,378
Shipbuilding	244,330	222,762	2,487,325
Urban Development	45,010	46,071	458,210
LSI	20,862	33,470	212,379
Elimination / Corporate	14,205	(142,714)	144,609
Consolidated total	¥ 4,328,901	¥ 4,170,080	\$ 44,069,031

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Depreciation and amortization:			
Steel	¥ 231,159	¥ 209,840	\$ 2,353,242
Engineering	6,599	5,594	67,179
Shipbuilding	5,124	—	52,163
Urban Development	568	449	5,782
LSI	3,943	4,433	40,140
Elimination / Corporate	378	141	3,848
Consolidated total	¥ 247,774	¥ 220,459	\$ 2,522,386

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Impairment loss:			
Steel	¥ 20,685	¥ 1,759	\$ 210,577
Engineering	579	440	5,894
Shipbuilding	—	—	—
Urban Development	—	—	—
LSI	3,963	—	40,344
Elimination / Corporate	—	—	—
Consolidated total	¥ 25,228	¥ 2,200	\$ 256,825

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Capital expenditures:			
Steel	¥ 273,653	¥ 215,108	\$ 2,785,839
Engineering	4,867	4,062	49,546
Shipbuilding	6,731	—	68,522
Urban Development	1,726	959	17,571
LSI	2,280	2,468	23,210
Elimination / Corporate	323	1,045	3,288
Consolidated total	¥ 289,582	¥ 223,644	\$ 2,947,999

(2) Geographic Segments

Geographic segment information has not been disclosed because the sales and assets of consolidated foreign subsidiaries for the years ended March 31, 2009 and 2008 were less than 10% of consolidated net sales and assets.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 amounted to ¥1,336,448 million (\$13,605,293 thousand) and ¥1,170,688 million, respectively.

15. Impairment Loss

The Company classified their long-lived assets as idle assets, leased assets, project-oriented assets and business-oriented assets, and grouped each of those classified assets into the minimum unit which will generate cash flows independent of other assets or group of assets.

For the year ended March 31, 2008, the book value of the business-oriented assets was reduced to the recoverable amount due to the decrease in profitability. The Company recognized loss on impairments of long-lived assets totaling ¥2,200 million, including ¥1,076 million for land, ¥446 million for machinery and equipment and ¥676 million for buildings and structures. The recoverable amount of the above assets is principally measured by the net selling price based on the appraisal value for the inheritance tax.

For the year ended March 31, 2009, primarily the book value of the Company owned housing that will be closed due to the revision of housing benefit plan in JFE Steel Corporation was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥21,265 million (\$216,481 thousand), including ¥14,575 million (\$148,376 thousand) for buildings and structures, ¥5,497 million (\$55,960 thousand) for land and ¥1,192 million (\$12,134 thousand) for machinery and equipment. The recoverable amount of the above assets is principally measured by the net selling price based on the appraisal value for the inheritance tax.

For the year ended March 31, 2009, the book value of the Utsunomiya plant of KAWASAKI MICROELECTRONICS, INC. that will be closed due to the structural reform of LSI business was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥3,963 million (\$40,344 thousand), including ¥1,379 million (\$14,038 thousand) for land, ¥1,230 million (\$12,521 thousand) for buildings and structures, ¥1,146 million (\$11,666 thousand) for machinery and equipment, and ¥207 (\$2,107 thousand) for other assets. The recoverable amount of the above assets is principally calculated based on the appraisal value for the inheritance tax.

16. Extraordinary Loss

For the years ended March 31, 2009 and 2008, extraordinary loss consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Profit on sales of property, plant and equipment	¥ -	¥ 2,310	\$ -
Profit on sales of investments in securities	13,788	-	140,364
Profit on sales of shares of affiliate companies	3,256	4,562	33,146
Loss on impairment of property, plant and equipment	(21,265)	(2,200)	(216,481)
Write-down of investments in securities	(55,268)	(1,032)	(562,638)
Loss on liquidation of affiliate companies	-	(3,782)	-
Provision of allowance for losses from lawsuits	-	(4,248)	-
Provision of allowance for losses on specific waste disposal business	-	(51,382)	-
Cost of structural reform of LSI business	(6,568)	-	(66,863)
Loss related to relocation/integration of headquarters, etc.	(3,465)	-	(35,274)

17. Supplemental Cash Flow Information

For the year ended March 31, 2008, increases in common stock, capital surplus, and a decrease in premium arising from conversion of convertible bonds amounted to ¥4,808 million, ¥4,805 million and ¥234 million, respectively.

Assets and liabilities of a newly consolidated subsidiary, Universal Shipbuilding Co. through the acquisition of stocks for the year ended March 31, 2008 were as follows:

	Millions of yen
	2008
Current Assets	¥ 143,050
Non-current Assets	79,712
Total Assets	¥ 222,762
Current Liabilities	¥ 159,264
Long-term Liabilities	14,649
Total Liabilities	¥ 173,913

18. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	(Year ended March 31, 2009)		Yen	U.S. dollars
	Millions of yen	Thousands of shares		
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	194,229	546,134	355.64	3.62
Effect of dilutive securities				
Loss on conversion of bond to common stock, net of tax	-	-		
Amortization of premium on bond, net of tax	(23)	-		
Interests on bond, net of tax	3,290	-		
Bond with stock acquisition rights	-	37,548		
Diluted EPS				
Net income for computation	197,496	583,682	338.36	3.44

	(Year ended March 31, 2008)		Yen	EPS
	Millions of yen	Thousands of shares		
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	261,845	581,134	450.58	
Effect of dilutive securities				
Loss on conversion of bond to common stock, net of tax	85	-		
Amortization of premium on bond, net of tax	(31)	-		
Interests on bond, net of tax	126	-		
Bond with stock acquisition rights	-	38,249		
Diluted EPS				
Net income for computation	262,025	619,383	423.04	



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Report of Independent Auditors

The Board of Directors
JFE Holdings, Inc.

We have audited the accompanying consolidated balance sheets of JFE Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 25, 2009



Name	Paid-in Capital**	Main Business Operations	Voting Shares(%)
JFE Steel Corporation	239,644	Steel Business	100.0
JFE Bars & Shapes Corporation	45,000	Electric Furnaces/Shape Steel Makers	100.0
Daiwa Steel Corporation	5,050	Electric Furnaces/Shape Steel Makers	92.4
Toyohira Steel Corporation	1,560	Electric Furnaces/Shape Steel Makers	51.3
Tohoku Steel Corporation	300	Electric Furnaces/Shape Steel Makers	94.2
JFE Chemical Corporation	6,000	Chemicals	100.0
JFE Metal Products & Engineering Inc.	5,000	Steel Product Processing/Processed products	96.4
JFE Galvanizing & Coating Co., Ltd.	5,000	Steel Product Processing/Processed products	98.4
JFE Material Co., Ltd.	450	Resources/Raw Materials	98.0
JFE Precision Corporation	450	Resources/Raw Materials	100.0
Brazil Japan Iron Ore Corporation	118,348	Resources/Raw Materials	19.3
JFE Container Co., Ltd.	2,365	Steel Product Processing/Processed products	54.2
Nippon Chuzo K. K. *	2,102	Steel Product Processing/Processed products	42.1
JFE Mineral Company, Ltd.	2,000	Resources/Raw Materials	99.9
JFE Welded Pipe Manufacturing Co., Ltd.	1,437	Steel Product Processing/Processed products	98.4
Mizushima Ferroalloy Co., Ltd.	1,257	Resources/Raw Materials	93.8
JFE Pipe Fitting Mfg. Co., Ltd.	958	Steel Product Processing/Processed products	86.6
JFE Refractories Corporation	948	Resources/Raw Materials	99.0
JFE Kozai Corporation	488	Distribution/Processing	94.5
River Steel Co., Ltd.	450	Steel Product Processing/Processed products	90.0
JFE Electrical Steel Co., Ltd.	400	Steel Product Processing/Processed products	99.9
Philippine Sinter Corporation	PHP 500 million	Resources/Raw Materials	100.0
Dongkuk Steel Mill Co., Ltd. *	KRW 421,185 million	Steel Product	15.0
Thai Cold Rolled Steel Sheet Public Co., Ltd. *	THB 10,703 million	Steel Product	22.4
Guangzhou JFE Steel Sheet Company Ltd.	RMB 2,439 million	Steel Product	50.0
Thai Coated Steel Sheet Co., Ltd.	THB 2,206 million	Steel Product	81.4
California Steel Industries, Inc. *	US\$ 40,000 thousand	Steel Product	50.0
Setouchi Joint Thermal Power Co., Ltd. *	5,000	Electric Power/Utilities	50.0
JFE Logistics Corporation	4,000	Logistics/Contracting	89.1
JFE Civil Engineering & Construction Corp.	2,300	Facilities & Maintenance/Construction	100.0
JFE Mechanical Co., Ltd.	1,700	Facilities & Maintenance/Construction	93.8
JFE Electrical & Control Systems, Inc.	400	Facilities & Maintenance/Construction	100.0
K. K. JFE Sanso Center *	90	Electric Power/Utilities	40.0
JFE Shoji Holdings, Inc. *	20,000	Trading Company	39.5
Gecoss Corporation *	4,397	Steel Structures/Temporary Construction	39.4
JFE Life Corporation	2,000	General Services/Assets Management	99.9
JFE Systems, Inc.	1,390	Information Systems	67.7
EXA Corporation *	1,250	Information Systems	49.0
JFE Techno-Research Corporation	100	Intellectual Property & Technology Information/Inspection & Analysis	100.0
JFE Engineering Corporation	10,000	Engineering Business	100.0
JFE Koken Corporation	3,494	Civil Construction/Pipeline Construction	100.0
JFE Kankyo Corporation	650	Environment & Recycling	100.0
JP Steel Plantech Co. *	1,995	Machinery Construction/Plant Construction	25.6
JFE Environmental Solutions Corporation	1,360	Environment & Recycling	100.0
JFE Environmental Service Corporation	97	Environment & Recycling	100.0
Nippon Chutetsukan K. K. *	1,855	Manufacture and Sale of Water Pipes and Gas Pipes	29.3
NKK Tubes K. K.	1,595	Manufacture and Sale of Seamless Pipes	49.0
Universal Shipbuilding Corporation	25,000	Shipbuilding	84.9
JFE Urban Development Corporation	3,000	Urban Development Business	100.0
Kawasaki Microelectronics, Inc.	5,046	LSI Business	99.7
JFE R&D Corporation	10	R&D Operations	100.0
JFE Finance Corporation	50	Group Finance	100.0

* :Equity method affiliates

** :Millions of yen, unless otherwise specified

Other 170 consolidated subsidiaries and 25 equity method affiliates

Corporate Data

Company Name: JFE Holdings, Inc.
(Trade Name)
Head Office Address: 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6527
Tel: +81-3-3217-4049 (main)
URL: <http://www.jfe-holdings.co.jp/>

Date of Establishment: September 27, 2002
Paid-in Capital: ¥147.1 billion
Number of Outstanding Shares: 614,438,399
Number of Shareholders: 337,210

Investor Information

Securities Traded: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (Securities code: 5411)
Annual Shareholders' Meeting: Held every June in Tokyo
Transfer Agent: Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670

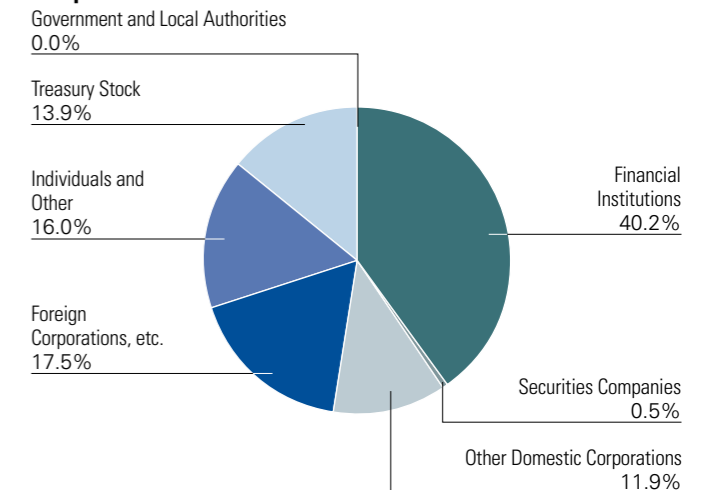
Inquiry: Stock Transfer Agency Dept. of Mizuho Trust & Banking Co., Ltd.
8-4, Izumi 2-chome, Suginami-ku, Tokyo
168-8507
Tel: +81-120-288-324 (toll-free)

Composition of Shareholders

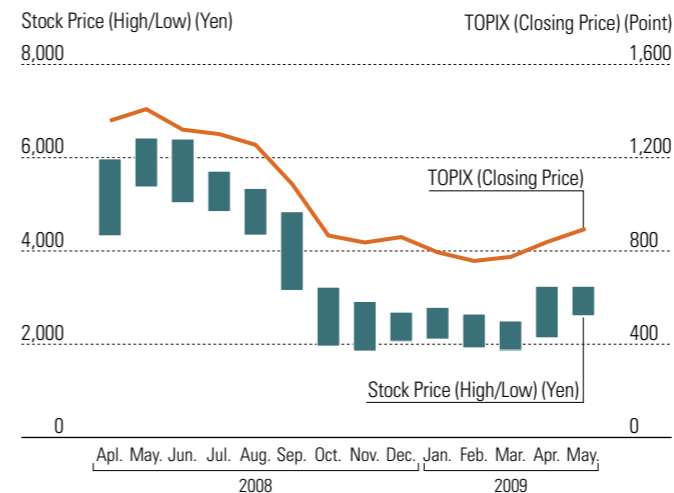
Name of Shareholder	Name of Shareholder Number of Shares Held (Thousand Shares)	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	39,591	7.5
Japan Trustee Services Bank, Ltd. (trust account)	33,544	6.3
Japan Trustee Services Bank, Ltd. (trust account 4G)	32,582	6.2
Nippon Life Insurance Company	22,639	4.3
The Dai-ichi Mutual Life Insurance Company	15,985	3.0
Mizuho Corporate Bank, Ltd.	14,351	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,975	1.9
Sompo Japan Insurance Inc.	8,419	1.6
Meiji Yasuda Life Insurance Company	7,163	1.4
OD05 Omnibus China Treaty 808150	5,286	1.0

In addition to the above, we retain 85,220 thousand treasury shares. The treasury shares are not included in the investment ratio calculation.

Composition of Shareholders



Trends in Stock Price



Trends in Trading Volume

