

To All Stakeholders

I would like to begin by expressing my heartfelt gratitude for your ongoing support and understanding.

Since the establishment of the JFE Group—a world-leading enterprise founded on the core competencies of steel and engineering—we have been vigorously pushing ahead with development of a business structure that will facilitate sustained growth while simultaneously striving to expand the Group's overall profitability.

Era of Accelerating Changes (Business Environments surrounding the JFE Group)

Environments influencing JFE's corporate management have been undergoing dramatic change in recent years.

The steel industry has been experiencing restructuring and consolidation more frequently on a global scale, as represented by the advent of ArcelorMittal and the acquisition of Corus by Tata Steel.

Demand for steel has been growing rapidly, especially in Asia sustained by development in China and India. In parallel, raw materials have been subject to substantial price increases, and polarization of the steel market into high-end and commodity-grade sectors has been progressing. We cannot deny that the environments influencing the steel industry have entered an era of radical change.

Winds of change are also blowing through the engineering industry, another of our core businesses. New opportunities are emerging in the environment, energy and recycling sectors at a time when measures to reduce fiscal deficits are leading to a decline in public works projects.

Despite these circumstances, the JFE Group is prepared to

overcome challenges encountered in fulfillment of its corporate social responsibility, from enhancing corporate governance and compliance to environmental issues to the in-house transfer of know-how among successive generations.

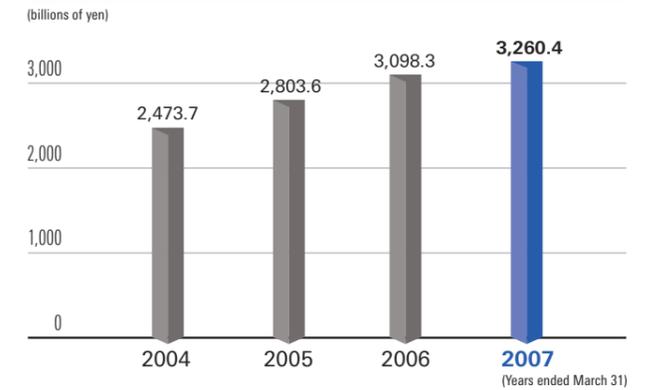
Second Medium-Term Business Plan: Basic Policies, Achievements to Date

Under the First Medium-Term Business Plan (April 2003 - March 2006), the JFE Group strived to establish a foundation from which it could advance as a global enterprise, enhancing its earning power and substantially improving its financial position. Success in this term led us to define the Second Medium-Term Business Plan (April 2006 - March 2009) as the period in which we will reinforce our foundation and take a major step forward as a global player. With that stance as our guide, we have formulated the following basic policies: (1) establishing a stable, profitable structure; (2) flexibly and aggressively undertaking strategic investment and reinforcing R&D; (3) promoting CSR and enhancing corporate governance; (4) improving our financial position; and (5) actively generating shareholder returns.

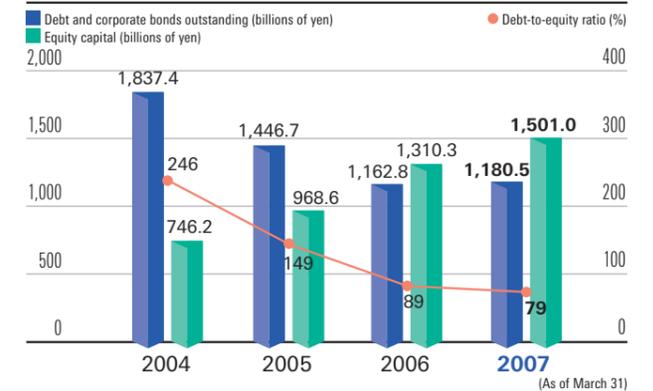
Under the Second Medium-Term Business Plan we will pursue creation of a corporate structure capable of steadily generating ordinary income in excess of ¥500 billion on an annual basis. The first year of the current business plan (April 2006 - March 2007) saw the JFE Group exceed all expectations, reporting consolidated ordinary income of ¥513.5 billion and net income of ¥299.6 billion. Clearly, the Group's strategy of establishing a stable and profitable structure by expanding production/sales of high value-added products is steadily bearing fruit.

President & CEO
Fumio Sudo

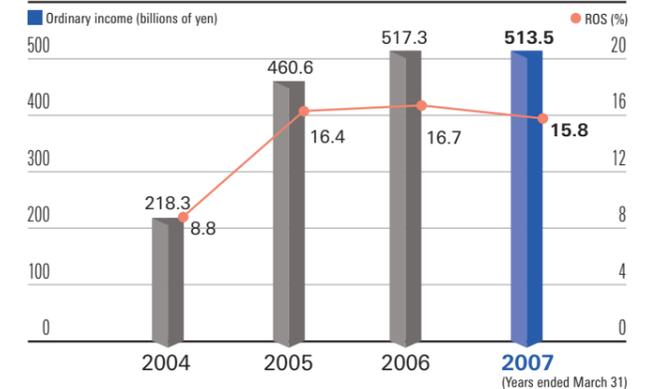
Trends for Net Sales



Trends for Debt and Corporate Bonds Outstanding/ Equity Capital and Debt-to-equity Ratio



Trends for Ordinary Income/ROS (Return on Sales)



Carrying Forward the New Growth Strategy

The JFE Group is steadily approaching the financial goals of the Second Medium-Term Business Plan; however, the Group is also advancing its strategy of emerging on the world stage as a global leader.

The high growth in global demand for steel is anticipated to continue, centering on Asia where the JFE Group has strong networks. Demand for high-end steel products, where the Group can prove its overwhelming strength, is also expected to grow rapidly. We will strive to expand production and sales of high-end steel products primarily by (1) reinforcing our domestic production bases, (2) considering an overseas production system, and (3) further strengthening our overseas alliances. In this way, we aim to expand both our earnings and the Group's presence in the global steel market.

To deal with tough business conditions in the engineering sector, meanwhile, we will endeavor to reinforce our competitiveness by means of greater concentration, strict project selection and dedication to reducing fixed costs. At the same time, we are determined to proactively develop opportunities in promising fields, such as new energy, energy resource conservation and recycling.

Maintaining, Enhancing Corporate Value and Common Shareholder Interests

The JFE Group will steadily promote enhancement and maintenance of corporate value and common interests of shareholders in tandem with establishment of a stable and profitable structure.

1. Reinforcing Corporate Governance

Enhanced corporate governance is among the basic policies being stressed in the Second Medium-Term Business Plan. To ensure transparency and fairness and further reinforce corporate governance



on a continual basis, the current year will see the JFE Group introduce outside directors while simultaneously reducing directorship terms.

We have also been progressively implementing measures to establish internal controls. For the purpose of developing and monitoring Group-wide internal controls, a new entity—the JFE Group Internal Control Committee—will be set up under the JFE Group CSR Council. We see this as a significant step forward as far as this issue is concerned.

2. Adopting Takeover Defense Measures

JFE Holdings, Inc. adopted a “Defense Policy toward Large-scale Purchases of JFE Shares” at a meeting of its board of directors in March 2007. A mechanism for automatically extending this Policy every two years was subsequently approved by the ordinary general shareholders meeting in June 2007.

In the event that a Large-scale Purchase of shares is proposed, the Policy will ensure that both the Large-scale Purchaser and the JFE Board of Directors provide shareholders with necessary and sufficient information, opinions and suggestions, and that shareholders are provided with sufficient time to review this input, so that shareholders can carefully evaluate potential effects of the proposal on JFE corporate value and their common interests. (For information on this Policy, please refer to Page 20.)

3. Proactively Generating Shareholder Returns

We have been proactive in our approach to generating shareholder returns. For example, the cash dividend for the business year ended March 2007 has been raised to ¥120 per share; we also acquired treasury shares worth ¥120 billion during a purchase program conducted between November 2006 and February 2007. These positive steps made it possible to achieve a payout ratio of 23.4% and a total shareholder return ratio of 64% for the year ended March 2007.

Environment and Compliance

The JFE Group, endeavoring to meet society's high expectations, is dedicated to promoting business activities firmly grounded in our commitment to coexist in harmony with the global environment and to maintain and defend corporate ethical standards.

With regard to environment-related issues, the JFE Group considers improvement of the global environment to be of utmost importance to management and, as such, undertakes all business activities with the aim of maintaining harmony with nature. This environmental philosophy commits the JFE Group to reducing our impact on nature while expanding efforts to conserve energy in every single business activity. This dedication is backed by unflagging efforts to develop and deliver environment friendly products and technologies.

Turning to compliance, the JFE Group Compliance Committee, as noted above, will be tasked with establishing the basic policies and measures to be taken by all operating companies. We will strive to encourage compliance through various means, including dissemination of relevant laws and regulations and creation of a compliance hotline.

We at the JFE Group have been pursuing corporate activities via dialog with a significant number of stakeholders. We will continue to strive toward sustained corporate growth and enhanced corporate value with your assistance and cooperation.

June 2007

President & CEO
JFE Holdings, Inc.