

2008

JFE GROUP

BUSINESS REPORT





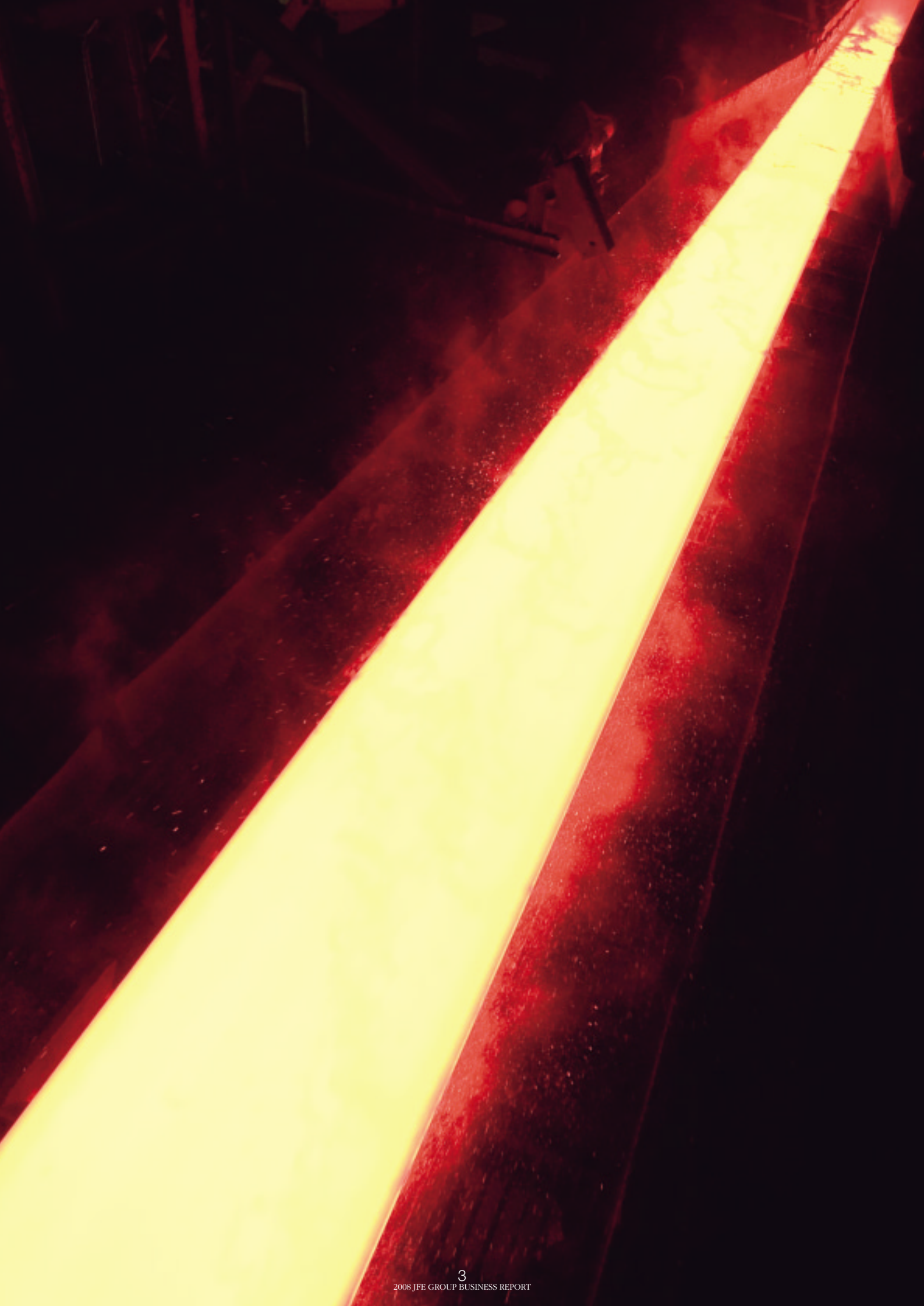
High Technology

High-grade steel, thinner and stronger.

Strength, thinness and structure on the nano-level.

Advanced technology for high-grade steel is a Japanese specialty,
allowing us to overcome resource constraints and create new possibilities.

The art of large-scale apparatus.



Evolution

Steel never ceases to evolve.

Cutting-edge technology, evolving over centuries, makes Japanese steel
the industry of the future.

In an age of dynamic change, steel leads the way.



Nature cannot be ignored.

Let the beautiful seasons come and go.
Looking honestly at the Earth's environment,
we will do our best to live in harmony with Nature.

With Our Earth



For Society

Steel never sleeps.

Twenty-four seven
From its first day to its final, the blast furnace never stops.
Behind the scenes, steel is always on the move.



For Infrastructure

Quality high technology.

Cars crossing bridges, planes landing and taking off at an airport.

Advanced engineering technology facilitates modern life.

Quality is the cornerstone of security and peace of mind.

Jacket for the Tokyo International Airport Runway D exterior construction-related works



Ocean Network

Carrying the world over the oceans.

The oceans have always been a stage for commerce.
Ships transport value around the world.
Somewhere, a ship built with the latest technology
is heading out to sea.



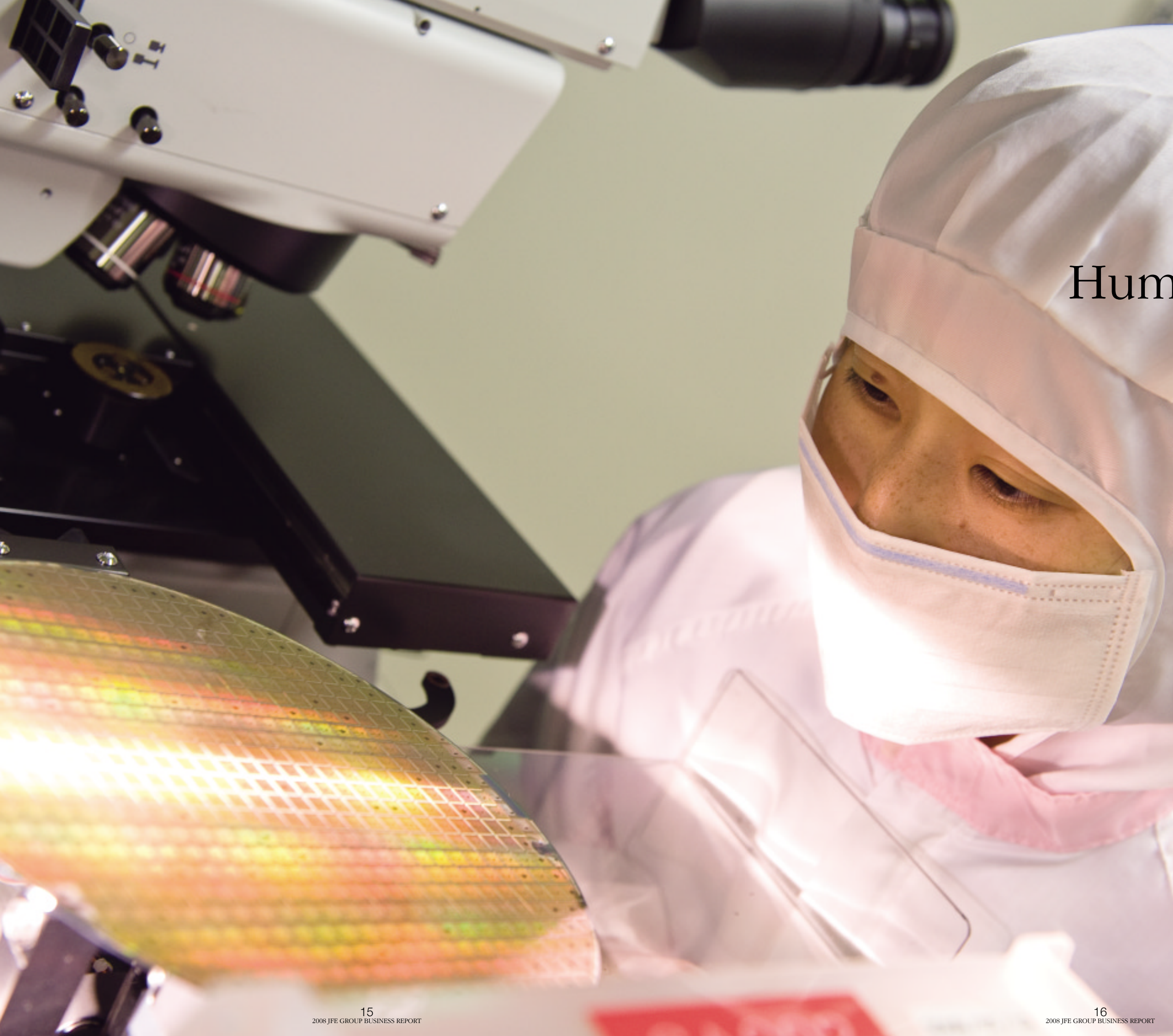
Human Life

Understanding our daily lives.

Live, work, come together.

We create people-friendly urban environments with an eye for the details of good living.

Centered on your lifestyle.



Human Power

Quality products, day in, day out.

Microelectronics – the brain of production.

Complex, invisible circuitry
at the heart of human endeavor.

Cutting-edge technology
and all-out responsiveness.



Next Generation

Everything for the Children.

The focused gaze, the carefree smile of a child.
We work for a brighter future for our children.



【Message from the CEO】

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 earnestly worked towards sustainable growth; the establishment of a highly transparent management system; and the strengthening and further broadening of the Group's overall revenue base.

Changing Business Environment (Response to Dramatic Change)

The business environment surrounding our company has been undergoing dramatic change.

Global demand for steel has been increasing dramatically in recent years, thanks mainly to China, India, and other nations of Asia. Global production of crude steel leaped to 1.34 billion tons in 2007, up from 850 million tons in 2001. The production volume of crude steel in Japan's domestic market reached a record 121.51 million tons, toppling the previous record set 34 years ago in 1973. There is, however, a negative side to this dramatic growth: the skyrocketing cost of raw materials. Furthermore, increasingly frequent restructuring and consolidation on a global scale, as represented by the rise of ArcelorMittal and the acquisition of Corus by Tata Steel, is a process we will continue to follow closely. Additionally, the environment surrounding the steel industry is drastically changing, change that is reflected in increasing concern about economic stagnation

and global credit contraction rooted in the sub-prime mortgage crisis in the United States.

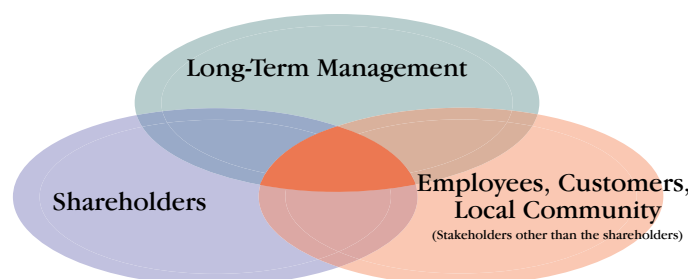
Winds of change, accelerating the selection and concentration of business fields, are blowing through the engineering industry, another of our core businesses; on the one hand, the decline in public works projects continues apace while, on the other, new business opportunities are emerging in the fields of energy and recycling.

In this environment, we recognize the need to carry out our corporate social responsibilities so that we can build relationships based on trust and to continue sustainable growth together with all of our stakeholders. This involves reinforcing compliance and corporate governance to achieve a highly transparent management system; contributing to solving global environment issues; and creating a rewarding workplace environment.

Final Year of Second Medium-Term Business Plan

After the founding of our company, during the period of the First Medium-Term Business Plan (April 2003 - March 2006), we enacted a number of measures to swiftly realize the effects of integration. We worked to establish a management platform that would give us adequate footing as a global company, and were able to enhance our profit-earning capacity and make substantial improvements in our financial standing.

Continuing from there, our second Medium-Term Business Plan (April 2006 – March 2009)





involves timing and positioning ourselves for a global leap. This means a basic policy of (i) establishing a stable high-earning capability, (ii) taking a bold, flexible approach to strategic investment and enhancing our research and development capabilities, (iii) promoting CSR and establishing corporate governance, (iv) undertaking financial reforms, and (v) making committed returns to shareholders.

In the Second Medium-Term Business Plan, we are working on establishing a high-earning capability that will enable us to achieve a minimum consolidated ordinary income of 500 billion yen each fiscal year. In the year ended

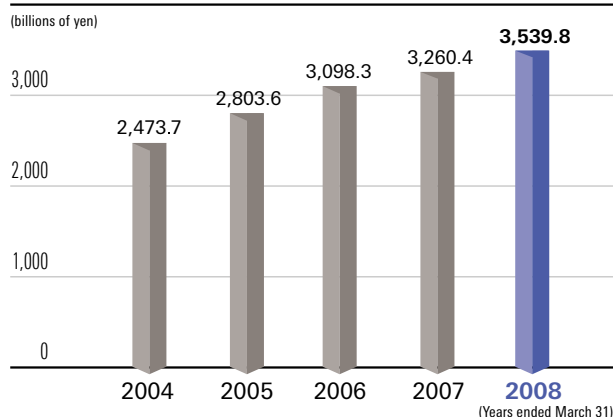
March 2007, we achieved a consolidated ordinary income of 513.5 billion yen and in the year ended March 2008, 502.9 billion, which, added to the 517.3 billion of March 2006 makes for an ordinary income in excess of 500 billion for three consecutive fiscal years. Our Group's strategy of striving for high-earning capability through production and sales of value-added products has been yielding steady results. However, the soaring cost of raw materials means that this year is a crucial one for ensuring continued sustainable growth.

Formulating a New Strategy for Sustainable Growth

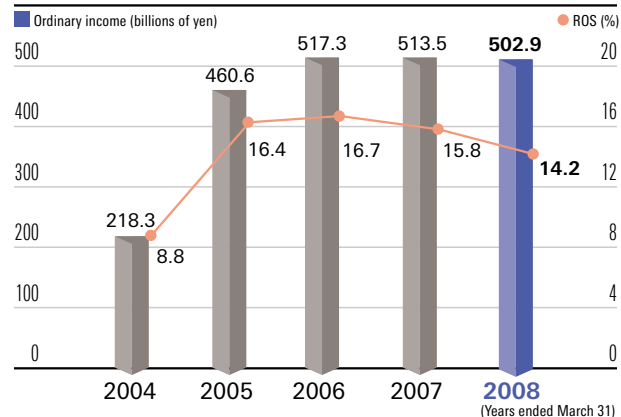
Steel production is the core business of the JFE Group, and we are aiming to increase both our revenue and our presence in the global steel market by: (i) increasing domestic production, (ii) enhancing our overseas production framework, and (iii) strengthening relations with overseas allies in order to increase production and sales of high-end steel, a field in which we have an overwhelming technological advantage.

In concrete terms, we will begin the process of raising domestic production of high-end steel by 10% (establishing a production system of 37 million tons of crude steel on a consolidated basis). Additionally, we will strengthen our

Trends for Net Sales



Trends for Ordinary Income/ROS (Return on Sales)





overseas alliances and will seriously consider the profitability of constructing an integrated steelworks in Brazil, in Thailand, and in other parts of Asia. Under our Third Medium-Term Business Plan, we will consider strategies for becoming a true global player and making the leap into the global market.

On March 17, we issued 300 billion yen of unsecured convertible share warrant bonds with conditions on acquisition through third-party allotment (so-called hybrid bonds). This was done to achieve financial agility for strategic investments and loans on the domestic and foreign markets, as mentioned above.

The engineering business continues to face a tough operating environment. To address this challenge, we are enhancing our competitiveness through selection, concentration and reduction

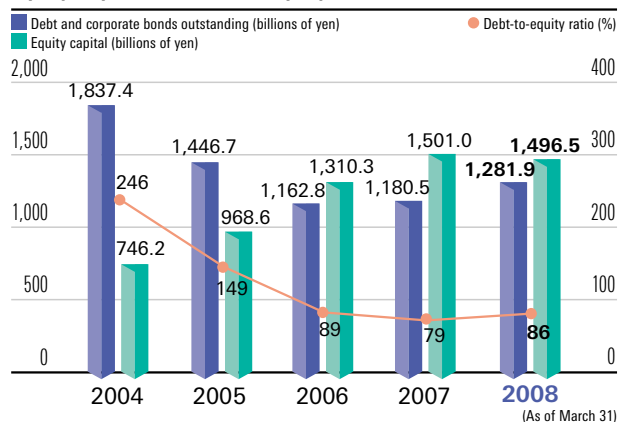
of fixed costs while actively engaging in such fields as recycling, energy conservation and new energy – all of which hold promise for future growth.

Restructuring the Shipbuilding Business

On March 31, we acquired an 84.9% share of Universal Shipbuilding Corporation, making it a consolidated subsidiary. Universal Shipbuilding Corporation is one of the world's leading ship-building companies, with high technological capabilities. Its flagship products are large tankers, large bulk carriers and LPG/LNG carriers. On April 16, this company held a naming and launch ceremony for the icebreaker Shirase.

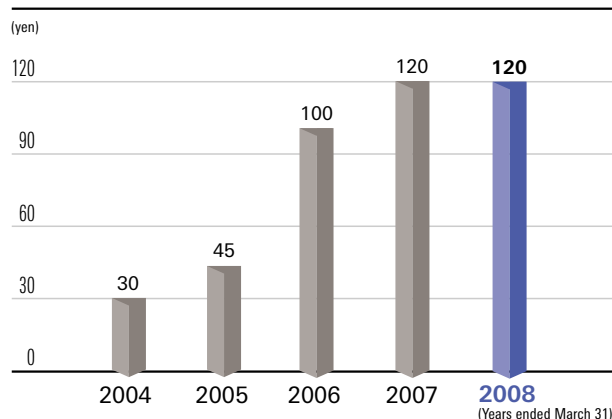
For the steel division – the core business of our

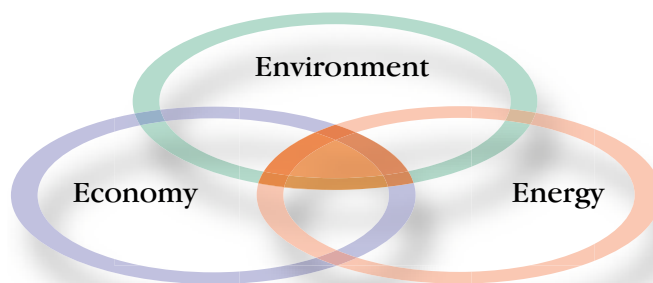
Trends for Debt and Corporate Bonds Outstanding/Equity Capital and Debt-to-equity Ratio



The D/E ratio of the hybrid bonds, when 75% of the 300 billion yen is deemed capital, according to the rating of the two rating agencies: 61% as of March 2008.

Trends for Annual Dividends per Share





Group – the shipbuilding business is not only a source of demand, but also a valuable partner in developing new materials and processing technology. This makes it a valuable partner when it comes to further enhancing our product and technology development capabilities. Having a sound and competitive shipbuilding division is therefore very meaningful for our Group. By making Universal Shipbuilding Corporation a subsidiary, we once again confirmed the central role played by our Group's shipbuilding division. As we announced on April 8, we also have decided to commence concrete discussions with IHI Corporation concerning the consolidation of IHI Marine United Inc. and Universal Shipbuilding Corporation.

The global shipbuilding market is enjoying active demand for marine transport, and ordering and building continue unabated. Chinese and

industry is not an optimistic one.

Under the circumstances, both companies agreed that in order to realize further sustainable growth in Japan's shipbuilding industry, there is a need to reinforce management bases through merger. This would provide an opportunity to reconstruct the existing system with a focus on production optimization while revising facility investment and reviewing the types of ship being built. Concrete discussions concerning management consolidation were therefore decided upon.

We will thoroughly discuss and consider the form the merger should take, taking into account postmerger reduction in procurement costs through enlargement of scale, serial construction, and improvements in product development capacity.

Maintaining, Enhancing Corporate Value and Common Shareholder Interests

The JFE Group aims to establish a high-earning capability, targeting steady achievement of 500 billion yen in ordinary income per year. The JFE Group will steadily promote the enhancement and maintenance of corporate value and common interests of shareholders in tandem with the establishment of this stable and profitable structure.

1. Reinforcing Corporate Governance

Enhanced corporate governance is one of the basic policies stressed in the Second Medium-Term Business Plan. To ensure transparency and fairness and further reinforce corporate governance on a continuing basis, the JFE Group introduced outside directors in 2007 while simultaneously reducing directorship terms.

We also have been progressively implementing measures to establish internal controls. The JFE



Korean shipbuilding companies have broadened their order intake and are upgrading their facilities, which is expected to lead to a further escalation of international competition. There also is a sense of uncertainty about currency exchange rates and material procurement, meaning that the outlook for the shipbuilding

Group Internal Control Committee, a new entity, was set up under the JFE Group CSR Council for the purpose of deliberating over basic policies relating to Group-wide internal controls and their application, and generally strengthening internal governance.

2. Response to Large-scale Purchases of JFE Shares

JFE Holdings, Inc. adopted a "Response Policy toward Large-scale Purchases of JFE Shares" at a meeting of its board of directors in March 2007. This Policy was subsequently approved for the next two years 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. Shareholders can thereby carefully evaluate the potential effects of the proposal on JFE's corporate value and their common interests.

3. Proactively Generating Shareholder Returns

Returning profits to the shareholders is our most important management issue. Bearing in mind the basic principles concerning shareholder return (25%) indicated in the Second Medium-Term Business Plan, we decided that the return in the year ended March 2008 will be the same as in March 2007, i.e. 120 yen per share. Furthermore, in the spirit of proactive shareholder returns, from November 2006 we twice repurchased shares totaling 240 billion yen. Similarly, from March 18 to May 1 we repurchased shares totaling 120 billion yen. Thus the dividend ratio in the year ended March 2008 reached 26.6%, a total shareholder return ratio of 80.2%.

Environment and Compliance

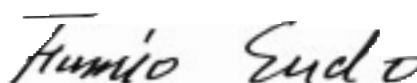
The JFE Group endeavors to maintain high standards in its response to society's expectations by promoting business activities firmly grounded in our commitment to coexist in harmony with the global environment and to maintain corporate ethical standards.

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, promotes business activities that maintain harmony with the environment. This environmental philosophy commits the JFE Group to reducing our impact on the environment and expanding our efforts to conserve energy in every area of our business. We are also dedicated to developing and delivering environmentally friendly products and technologies.

Turning to compliance, the JFE Group Compliance Committee is 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 promotion of public awareness of the 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 2008



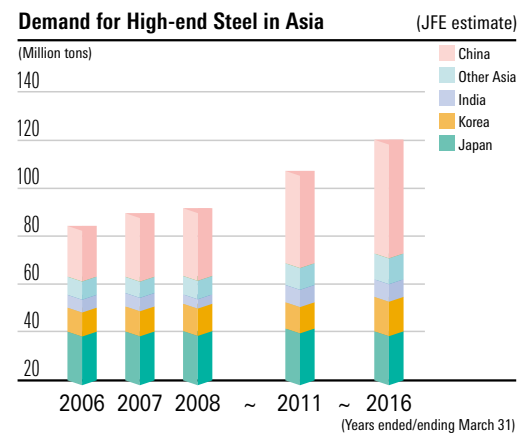
President & CEO
JFE Holdings, Inc.

"Aspiring to Global Excellence"

Achieving the target of the Second Medium-Term Business Plan in 2008.

In an unfriendly business environment typified by raw materials appreciation,
the JFE Group pursues growth on a global scale.

We will achieve continuous growth by paying utmost attention to every detail of our business.

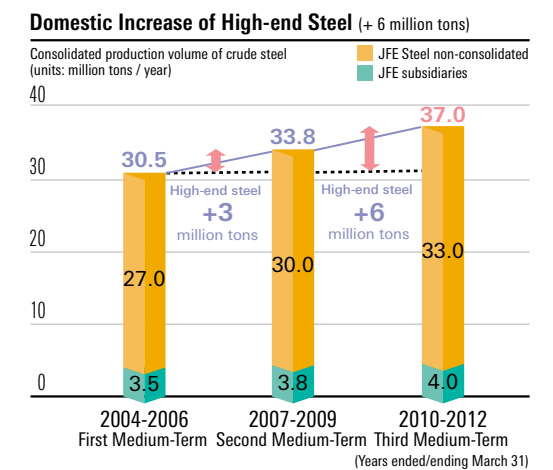


Continuous Growth in Demand for High-End Steel in Emerging Economies

The demand for steel is expected to continue growing at a steady pace propelled by the development of the BRICs and other emerging economies. On the other hand, the environment surrounding our company is in a period of dynamic transition, due to the oligopolization of raw materials suppliers, the globalization of steel products users (such as car manufacturers), the reorganization and M&A movement within the steel industry, and the facility expansion trend, among other factors. In order to continuously heighten its corporate value, JFE Steel places a priority on responding to domestic and global demand for high-end steel through full utilization of the Group's technological advantages.

Consistent Supplier of High-Value-Added Products

We have been expanding production scale to respond to growth in the market for high-end steel. JFE Steel has increased domestic production capacity by three million tons between 2005 and 2008 and is to make another three million tons increase during the Third Medium-Term Business Plan (April 2009 – March 2012), aiming for 37 million tons of crude steel production capacity on a consolidated basis. In parallel, the development and sales of energy-efficient and weight-saving products such as high-performance electrical steel sheets and high tensile steel sheets, will allow us to actively contribute to meeting our customers' needs while helping society conserve energy. Thus we will maintain our position as a supplier of high added value products of exceptional quality and quantity.



First
Medium-Term
Business Plan

Second
Medium-Term
Business Plan

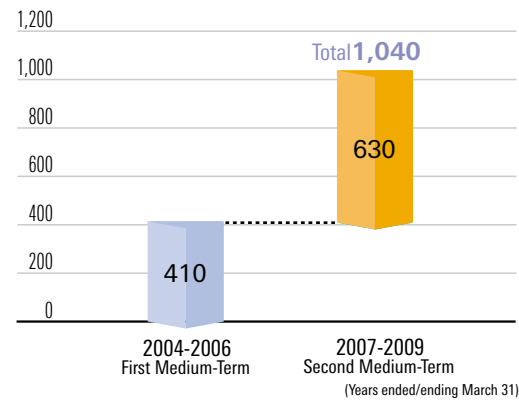
Third
Medium-Term
Business Plan

JFE Steel Growth Strategy and Overseas Expansion

Aspiring to Global Excellence

Consolidated Plant and Equipment Investment

On payment basis (billion yen)



Our Cornerstone is "Quality Growth"; Acting Now for the Future

Further expansion of the JFE Group depends on steady implementation of our growth strategy and establishment of a sustainable operational structure. Together with further strengthening of the global production and sales system for high value added products, we view "quality growth" as the cornerstone of overall growth; quality growth means further improving of service and product quality, developing products by utilizing the technological development capacity of JFE Steel, and reducing CO₂, among others. We will also establish a business system capable of flexibly responding to a changing business environment and take concrete measures to confront global environment issues to realize sustainable growth.

Everything Begins with Our People: Operation Reconstruction Activities Support Growth

Our growth strategy is supported by the people of the JFE Group. Strong and reliable manpower is needed for scaling up production volumes, product development, overseas operations, proposition capabilities, service improvement and quality growth propelled by a changing market environment. To accomplish our mission for the future we need to maximize the output of every single staff member. At JFE Steel we work on operation reconstruction, revising our work on a daily basis with a focus on reforming the company to achieve "acceleration" and "streamlining". We steadily implement our growth strategy by creating a working environment where everyone can realize their full potential.



JFE Steel Growth Strategy and Overseas Expansion

Aspiring to Global Excellence

Recent alliance-related topics

January 2008 / Germany

Achieved joint development with ThyssenKrupp Steel AG of multiphase high-strength steel sheet with 40% improvement in elongation performance

January 2008 / USA

Concluded contract for corporative technical exchange with US Steel

July 2007 / PRC

Concluded joint-venture contract for cold-rolled steel sheet project in Nansha Development District, Guangzhou City

December 2006 / Germany

Extended comprehensive cooperation agreement with ThyssenKrupp Steel AG

September 2006 / Korea

Strengthened partnership with Dongkuk Steel Mill Co., Ltd.

July 2006 / PRC

Held opening ceremony for silicomanganese plant for Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd.

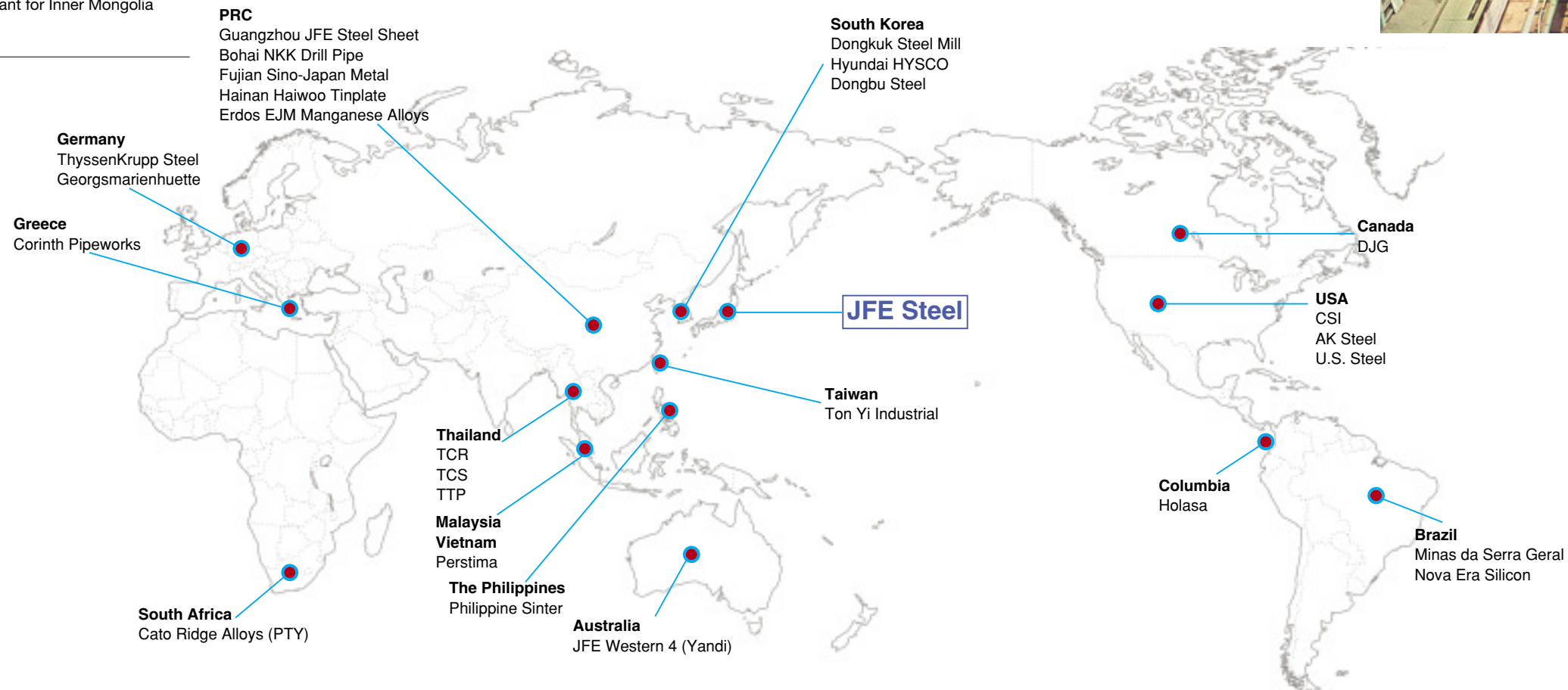
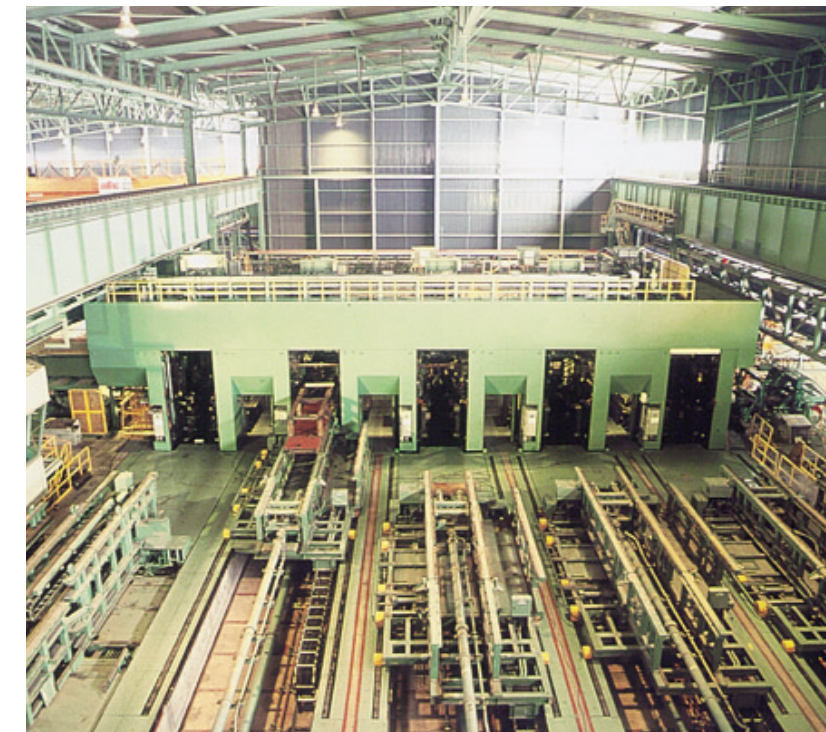
Aspiring to Global Excellence through Aggressive Overseas Expansion

JFE Steel is actively expanding overseas, aspiring to global excellence in the growing markets of Asia and the Pacific region. To date, we have conducted business in steel sheet for automobiles in Huanan District, PRC; cold-rolled steel sheets in Thailand; and strategic alliance with Dongkuk Steel Mill in Korea for high-end steel plates. Through such vertical specialization we have succeeded in establishing an Asia-focused production and sales network for high-end steel. We are now also able to supply high-end automotive steel sheets to the European and the US markets through technological alliances with ThyssenKrupp Steel AG in Germany and AK Steel Corporation in the United States. In the

future, we will further strengthen existing alliances while forging new ones in order to enhance our global production and sales network.

Feasibility Study for Integrated Steel Production Overseas

We are considering the construction of an integrated steelworks at the point of raw materials supply or at the point of demand. We have already launched a full-scale feasibility study focused on commercialization in Ceara, Brazil, and we are also considering a site in Southeast Asia (Thailand, etc.). The JFE Group, with JFE Steel as its core, is aspiring to growth on a global scale. We are aiming to realize our corporate philosophy of "Contributing to society with the world's most innovative technology".



Mr. Hu Jintao, President of the People's Republic of China, Visits JFE Group Recycling Plant

The President of the People's Republic of China, Mr. Hu Jintao, visited Kawasaki Eco-town and JFE's recycling plant as a part of his visit to Japan as a state guest.

At 11:20 a.m. on May 9, President Hu Jintao, Mrs. Liu Yongqing, the First Lady of China, and a number of Chinese officials, were ardently welcomed by some 700 employees of JFE upon their visit to the recycling plant. The guests were met by the Mayor of Kawasaki, Mr. Abe, and a number of JFE executives, including the CEO of JFE Holdings, Mr. Sudo, and the CEO of JFE Engineering, Mr. Kishimoto. The executives delivered a presentation and showed the guests around the plant.

The Chinese-language presentation, "Kawasaki Eco-Town and the Recycling Business of JFE: Towards Creation

of a Recycling Society," covered the past and present of the Keihin Waterfront area (reduction of environmental burden); Kawasaki Eco-Town, Japan's first officially recognized eco-town; the JFE Group's recycling plant (for PET bottles and home electronics); JFE's environmental management and the environmentally friendly business model JFE strives for; and JFE's China operations.

The guests viewed with great interest the recycling process at the PET bottle recycling plant and the recycled products exhibited. They also enthusiastically asked a number of questions.

Although the visit lasted a brief thirty minutes, it was a valuable opportunity to gain the guests' understanding of the JFE Group's recycling activities.





JFE's Technology Contributes to Worldwide Sustainable Growth

The JFE Group delivers high-end steel sheets, as well as a wide range of other products. Our cutting-edge technology contributes to the development of society and comfortable living environments.

The world's first nanotech high-strength hot-rolled steel sheets for automobile parts NANO HITEN

High-end steel sheets have come to be used extensively in automobile. Recently, in order to further reduce weight and improve crashworthiness, demand has risen for higher strength steel. JFE successfully developed a new higher strength steel with excellent stretch flange formability using nanometer-sized carbides that are ten times finer than those of conventional steels. This steel, named "NANO* HITEN™," is the first highstrength automotive steel to use nanotechnology.

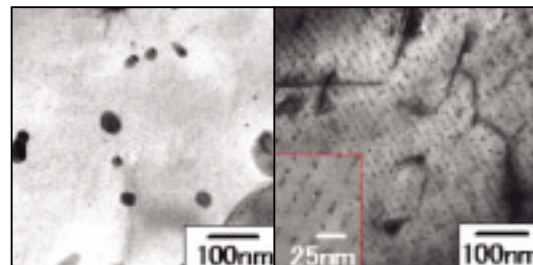
The main technique in the manufacturing process for



the new steel is the combining of the ferrite matrix and the fine carbides. Generally, fine carbides coarsen easily in a ferrite matrix. JFE successfully achieved fine carbide retention in a ferrite matrix during the manufacturing process. The new technique has made it possible to exhibit both high strength and excellent formability.

"NANO HITEN™" has won many prizes, and in the year ended March 2008 received The 21st Century Encouragement of Innovation Prize, at Japan's national commendation. "NANO HITEN™" has been adopted as a material for automobile suspensions and crashworthy equipment, and its applications are expected to increase in the future.

*New Application of Nano Obstacles for dislocation movement



Left /
Conventional
steel carbide
Right /
NANO HITEN carbide



Automobile suspension components
manufactured using NANO HITEN



New high-corrosion resistance stainless steel contributes to resource conservation JFE443CT

With prices for metal resources soaring, there is a heightened sense of crisis concerning resource scarcity. While SUS304 (austenitic stainless steel), the most common stainless steel material, offers excellent corrosion resistance, it is affected significantly by the price of nickel because of its 8% nickel content.

At JFE, we developed JFE443CT, the world's first ferritic stainless steel sheets, which offer corrosion resistance equal to SUS304 while containing absolutely no nickel or molybdenum, two rare metals. This product emerged from JFE's discovery that we could achieve a marked corrosion resistance improvement effect by adding copper while simultaneously increasing the amount of chromium.



Left /
Cistern tank
Right /
Home cookware



Internal parts for thermo-pots



JFE443CT was awarded the Nikkei Sangyo Shimbun Award for Excellence in Products and Services in 2006, the Fuji Sankei Business-i Advanced Technology Grand Prix Sankei Shimbun Co., Ltd. Prize in 2007 and the Ichimura Prizes in Industry - Contribution Prize in 2008. It has also earned a strong positive evaluation from society as a product contributing to resource conservation. Because the adoption of JFE443CT for a variety of applications including commercial kitchenware, building materials and industrial machinery is expanding rapidly, JFE has increased production amount to meet demand and is contributing to society.

JFE's Technology Contributes to Worldwide Sustainable Growth

Solar battery boasts world's top class conversion efficiency through SILICON WAFERS

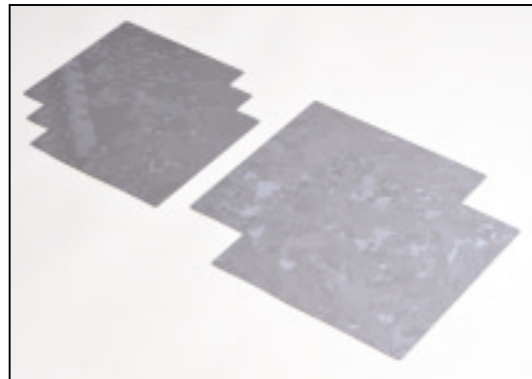
Because they do not emit CO₂ when generating electricity, solar batteries that convert the sun's energy into electric power have attracted interest as a trump card among global warming prevention measures. At JFE, we began production of silicon wafers for solar batteries in 2001. As of 2007, JFE had annual production capacity of 180-megawatts, equivalent to roughly 5% of the world's total solar battery power output.

By utilizing the technological capabilities cultivated through its casting technology for steel manufacture, JFE produces silicon wafers for solar batteries that achieve solidification structure uniformity. By using JFE's polycrystalline silicon wafers, some solar cells have achieved and maintain the world's highest level of conversion efficiency of 17% or more.



In 2005, JFE applied its steel production technology to begin manufacturing solar grade silicon (SOG-Si) in response to the shortage of the basic raw material, high-purity silicon (polysilicon), that resulted from the rapid increase in solar battery demand. SOG-Si ensures quality equivalent to polysilicon, and today JFE maintains a share of the market for solar battery wafer raw materials with an annual production capacity of over 400 tons.

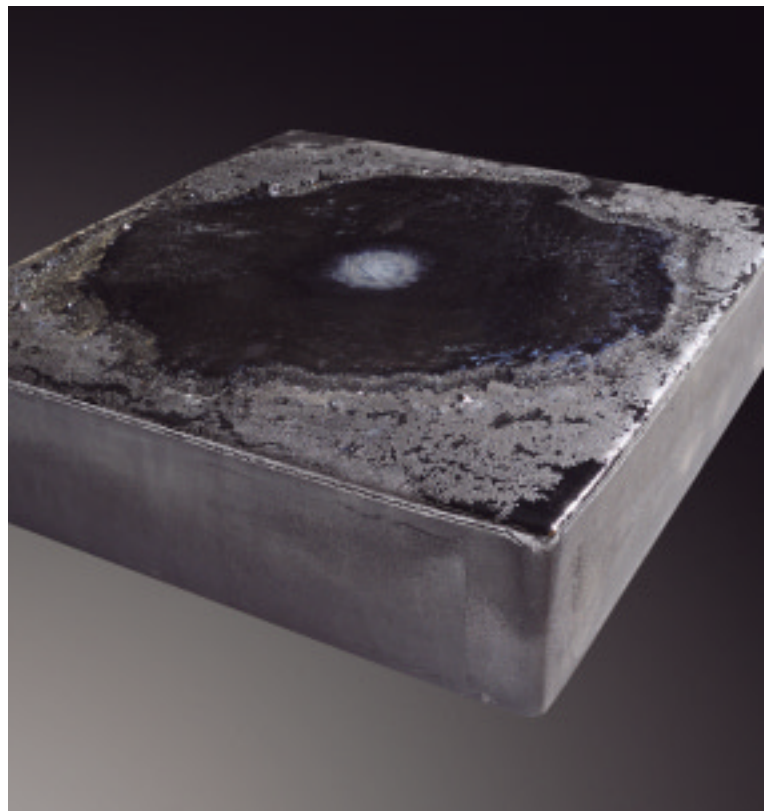
JFE will continue to take advantage of its steel manufacturing technology in the future to deliver products and raw materials that contribute to the prevention of global warming.



Polycrystalline silicon wafers
for solar batteries



Silicon block



Silicon ingot



Support for lithium ion secondary batteries **FINE SPHERICAL GRAPHITE POWDER**

Today's world requires great amounts of energy for a wide range of applications such as advanced telecommunications and transportation, yet also demands environmentally friendly technologies and reduction of fossil fuel use. The development of storage battery and other electrical storage technologies is therefore an urgent issue. JFE has demonstrated the superiority of its technology by developing products such as lithium ion secondary batteries (LIB).

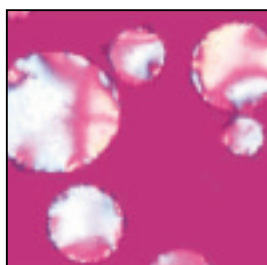
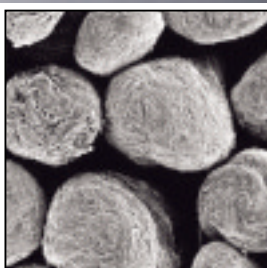


LIB made their way into practical use during the 1990s as batteries for small, mobile devices. JFE's fine spherical graphite powder has been adopted as a high performance negative-electrode material. Applications for LIB in sectors such as hybrid automobiles and electric vehicles are expected to grow in the future.

JFE produces fine spherical graphite powder using a proprietary technology to generate mesophase spheres (spherical crystals) by the heat treatment of coal-tar pitch, a by-product of the coking furnaces used in the steel manufacturing process. JFE then extracts the spheres and converts them to graphite. The resulting product's excellent crystallinity and high filling property contribute to improving LIB capacity and cycling characteristics (electrical charge and discharge frequency).

The high performance activated carbon that highly activates the spheres is also being utilized in the electrode material for electric double layer capacitors, a new electricity storage device, for which additional demand is anticipated in the future.

Fine spherical graphite powder



Mesophase spheres

**New system goes easy on the marine environment
SHIP BALLAST WATER TREATMENT SYSTEM**

To maintain hull stability and sailing safety, seawater (ballast water) is pumped into the ballast tanks of empty cargo vessels and tankers. This ballast water is later discharged at ports of loading, where negative affects on ecosystems have been pointed out in that the ballast water contains marine organisms from an ocean area different from the area where the organisms are released. In 2004, the International Maritime Organization (IMO) adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, and when this agreement takes full effect, signatory countries will be required to install equipment to properly process the ballast water on board from other countries.



JFE is already developing a ballast water treatment system for ships that is friendly to the marine environment. This latest system treats ballast water by using a high performance filter to return many living organisms to their original sea zone when seawater is pumped into the ballast tanks of a ship, then processing the small plankton and bacilli such as E. coli bacteria in the filtered water using chemicals and cavitation (a phenomenon that generates bubbles by compressing and then rapidly releasing flow velocity), and finally discharging the treated water into the sea after the small quantities of residual chemicals have been neutralized to ensure they are non-polluting.

We will continue to utilize the JFE Group's shipbuilding technology, service water and waste water processing technology, and machine technology to the maximum extent possible to help preserve the marine environment.





0 50 100mm

Energy solutions in the industrial sector **BIOMASS BOILER / WOOD BIOMASS GASIFICATION FACILITY**

The need to begin converting fuels for power in the industrial sector to biomass or recycled fuels has increased rapidly as a measure for preventing global warming and for addressing the sharp rise of energy prices. At JFE, we have been working proactively for many years to develop technology to expand the use of biomass and recycled fuels.

JFE's biomass boiler is a system that can be adjusted to the type of waste product fuel available, including wood chips, sludge and waste plastic, to meet the needs of a resource recycling society. This summer, JFE will complete such a system for Kishu Paper Co., Ltd.'s Kishu Plant, where it is being eagerly awaited to provide the plant's main source of power.



A wood biomass gasification facility is an advanced system designed to work in harmony with the environment by gasifying wood biomass such as lumber scraps and bark, rather than simply burning them, extracting the gaseous fuel and converting it efficiently into electricity and heat. JFE is currently constructing a similar facility for Daio Paper Corporation's Kani Plant.

JFE will continue to contribute widely to the supply of environmentally friendly eco-energy in the future.

Corporate Vision

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

Corporate Values

A Challenging Spirit, Flexibility, Sincerity

The JFE Group is broadly carrying forward development of businesses with steel and engineering at its core.

JFE Holdings, Inc. Headquarters of the JFE Group

This is the JFE Group's streamlined head office, responsible for group-wide strategic functions, risk management and accountability to the public as the center of unified governance of the Group.

JFE Steel Corporation

JFE Steel Corporation is an integrated steel producer ranking third* in the world in terms of crude steel production. It is highly competitive internationally thanks to the unique strengths of a framework built on two major steelworks — one each in eastern and 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. *Source: Metal Bulletin

JFE Engineering Corporation

JFE Engineering Corporation is responsible for the engineering business, which is the JFE Group's core business, together with steel. JFE Engineering Corporation provides solutions based on advanced technologies in the fields of energy (mainly pipelines and LNG plants), environment (e.g., waste disposal facilities, water supply and sewerage facilities, biomass utilization), steel structures (e.g., bridges, steel frames), systems (e.g., industrial machinery) and logistics.

Universal Shipbuilding Corporation

With five shipyards and one technical research center, the company undertakes the construction and repair of large-sized merchant ships such as bulk carriers and tankers, and naval ships such as destroyers, minesweepers, and icebreakers. Through our thorough marketing activities, we contribute to both society and industry by quickly developing and building ships that make for satisfied customers.

JFE Urban Development Corporation

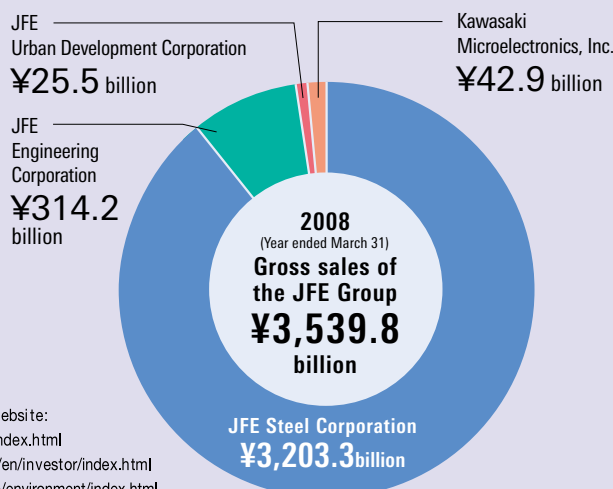
JFE Urban Development Corporation creates a pleasant urban environment through its four businesses: the large-scale complex development business, which involves the redevelopment of idle land owned by the JFE Group and the creation of new urban districts; the condominium business, which supplies distinctive, high-quality condominiums; the real estate solutions business, which engages in the redevelopment of land owned by third parties; and the property development business, which executes the development, management and operation of real estate assets.

Kawasaki Microelectronics, Inc.

Kawasaki Microelectronics, Inc. is an LSI vendor specializing in sophisticated, high-value-added ASIC (Application Specific Integrated Circuit). It offers a comprehensive range of services to its customers from designing and development to manufacturing, testing and shipping. Its strength is demonstrated in products for LCD panels, as reflected in its substantial market share worldwide.

JFE R&D

JFE R&D Corporation is a concept-creating research institution that undertakes further development of core technologies shared between the JFE Group's core businesses, namely, steel and engineering. It develops "concept creation-style" technology through the organic combination of these elemental technologies.



For a more detailed information, please access our website:
 JFE Holdings, Inc. <http://www.jfe-holdings.co.jp/en/index.html>
 Financial information <http://www.jfe-holdings.co.jp/en/investor/index.html>
 Environmental Report <http://www.jfe-holdings.co.jp/environment/index.html>

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



Members of the Board

President & CEO	Fumio Sudo
Member of the Board	Toshikuni Yamazaki
Member of the Board	Eiji Hayashida
Member of the Board	Hajime Bada
Member of the Board	Sumiyuki Kishimoto
Member of the Board	Uichiro Niwa
Member of the Board	Shigeo Asai

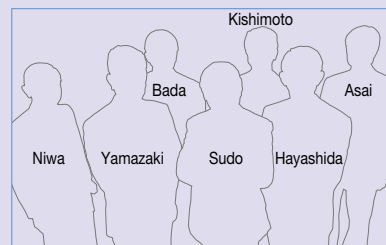
Mr. Uichiro Niwa and Mr. Shigeo Asai are external members of the board.

Corporate Auditors

Full-time Auditor	Tetsuo Miyazaki
Full-time Auditor	Kunioki Kubo
Corporate Auditor	Toshikuni Nishinohara
Corporate Auditor	Takaaki Wakasugi

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

Members of the Board



Corporate Officers

President & CEO	Fumio Sudo	CEO
Executive Vice President	Toshikuni Yamazaki	Supervision of Finance and Investor Relations Dept. and Comptrollers' Dept.
Senior Vice President	Eiji Hayashida	Supervision of General Administration Dept. and In Charge of Corporate Planning Dept. and Comptrollers' Dept.
Senior Vice President	Sakio Sasamoto	In Charge of General Administration Dept.
Senior Vice President	Shinichi Okada	In Charge of Finance and Investor Relations Dept.

Management Organization and Internal Control

Fundamental Philosophy on Corporate Governance

The JFE Group is structured with its businesses being run by operating companies placed under a holding company.

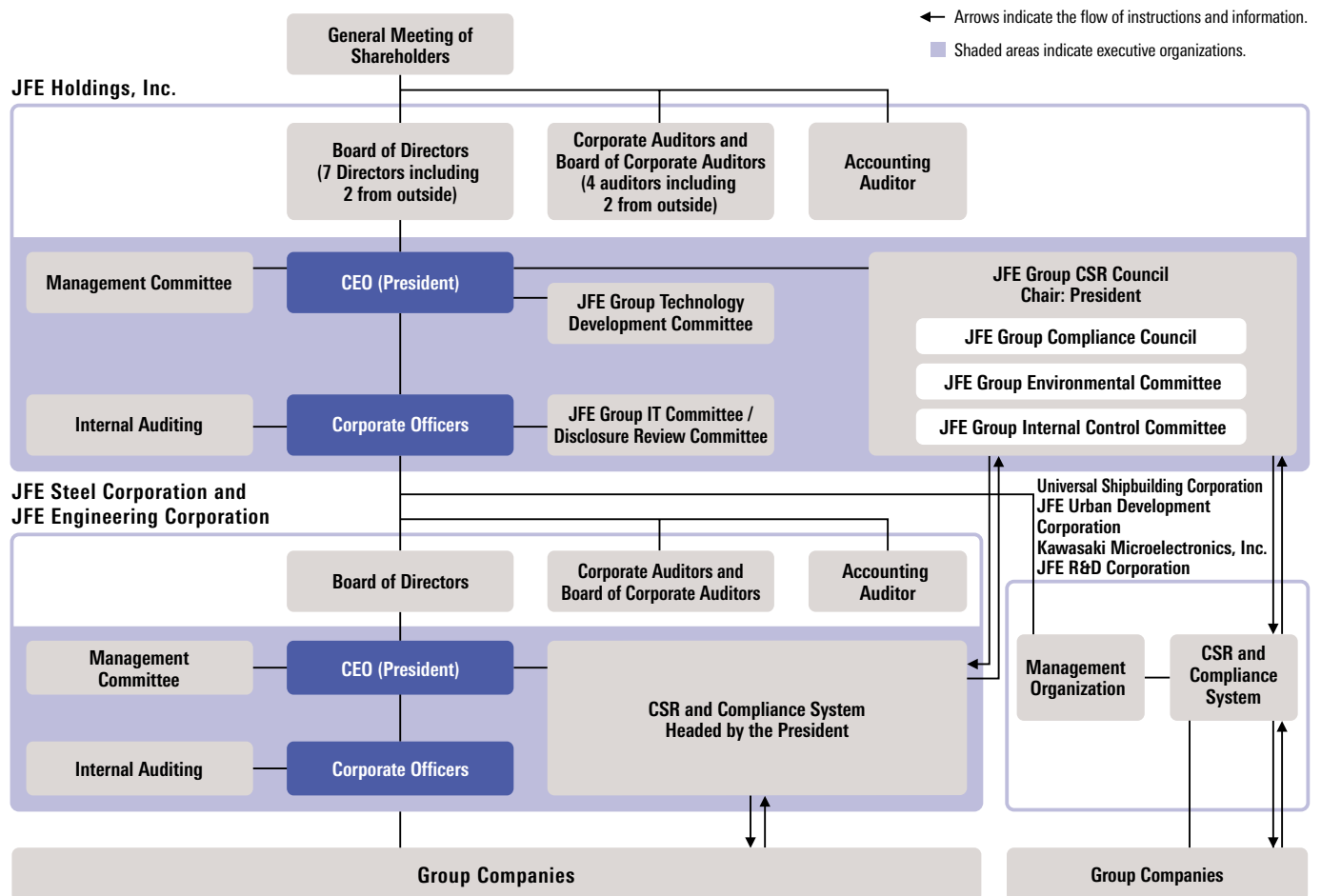
As the holding company, JFE Holdings, Inc. is the backbone of the centralized governance of the JFE Group and serves as the Group's streamlined head office, responsible for group-wide strategic functions, risk management and accountability to the public.

Meanwhile, the operating companies run businesses based on

optimized operational and executive systems tailored to the characteristics of each business field, with the aims of strengthening competitiveness and expanding earning power.

The JFE Group endeavors to maximize its enterprise value for all stakeholders, including shareholders, by ensuring that the holding companies and the operating companies fulfill all their responsibilities.

Relationship Diagram of Management Organization and Internal Control



Management Organization and Internal Control

1. Corporate Institutions

The JFE Group member companies employ an auditor system. At JFE Holdings, Inc., there are four auditors (including two external auditors) and seven members of the board, of whom two external board members were newly appointed at the general meeting of shareholders effective in June 2007 in order to establish a more objective and transparent management organization. In addition, the Board of Corporate Auditors – where external auditors comprise half of the members – keeps an eye on management, endeavoring to ensure and strengthen corporate soundness.

Moreover, JFE Holdings, Inc., JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation, and Kawasaki Microelectronics, Inc. have adopted a corporate officer system to clearly define authority and responsibility through the separation of management decision-making and business execution and to accelerate execution.

2. Decision-making on Important Matters

With regard to important matters concerning each member company of the JFE Group, each company has its own rules which clearly define the decision-making process. For important managerial matters

concerning the entire Group, JFE Holdings, Inc. is structured to ultimately deliberate and resolve them.

JFE Holdings, Inc., JFE Steel Corporation and JFE Engineering Corporation hold Management Committee meetings approximately twice a month, with each meeting chaired by the President and attended by Members of the Board, Corporate Officers and Corporate Auditors. Their respective Boards of Directors meet once or twice a month.

The JFE Group has also group-wide committees to deliberate issues relating to technology development and IT shared across the Group.

3. Internal Control

JFE's internal control (including a risk management system) is defined by the Basic Policy for Building an Internal Control System. In accordance with this policy, regulations of the Board of Directors, rules of the Management Committee, the JFE Group CSR Council, the JFE Group Compliance Council, the JFE Group Internal Control Committee, the Disclosure Review Committee, and of various other committees, as well as rules for organization/work, information storage and management, and for dealing with violence against corporations have been enacted, and the Corporate Ethics Hotline has been established.

Report on the Case Concerning the Antimonopoly Law

Regarding a breach of the Antimonopoly Law, JFE Engineering Corporation was ordered by the Fair Trade Commission of Japan in December of last year to pay a surcharge in relation to gas pipe construction work. Also, orders were issued to JFE Pipe Fitting Mfg. Co., Ltd. in March this year for the cessation of certain practices and surcharge payments relating to sales of flexible pipes and fittings for gas, and in June of this year to JFE Steel Corporation relating to sales of steel pipe piles and steel sheet piles.

The JFE Group is constantly reviewing its business and sales activities from the standpoint of compliance and through further reinforcement of such elements as its internal control system. Necessary measures, together with a strengthening of activities for safety and the environment, will realize sustainable growth as a company and will maximize its corporate value for all stakeholders, including shareholders.

Concerning the Failure of East Japan Works (Chiba) to Conduct Hydrostatic Testing for Weld Repaired UOE Pipes on API Standard

JFE Steel Corporation has discovered that hydrostatic testing, compulsory for weld repaired UOE pipes on API standard, had not been performed by the UOE pipe mill at its East Japan Works (Chiba).

Taking this incident to heart, the company is now conducting a

thorough reform of its internal quality assurance system while simultaneously reviewing its administrative operations. We are committed to marshaling ourselves at this time to prevent a similar occurrence in the future.



ECONOMIC ASPECTS

Aiming to Enhance Corporate Value

The essence of corporate value is
in maintaining corporate quality
while steadily earning profits
and continuously growing.

The JFE Group aspires to enhance corporate value
by going back to our roots as a manufacturing-centered group
through boosting cost competitiveness,
establishing an edge when it comes to quality,
developing new products and technologies,
enhancing employee productivity, and passing down skills.

Business Overview of the JFE Group

The JFE Group has endeavored to maximize its enterprise value for all stakeholders, including shareholders, and achieve sustainable growth, in accordance with our corporate credo, "to contribute to society with the world's most innovative technology".

Operating Results for the Year Ended March 2008

The year ended March 2008 was the mid-term fiscal year of the Second Medium-Term Business Plan (covering fiscal years 2006 - 2008), which we regard as a period for reinforcing our foundations in order to launch ourselves as a truly global player. In the year ended March 2008, we aimed at establishing a stable, profitable structure, and as a result we succeeded in securing a continuously high level of profitability.

Performance in year ended March 2008 was almost the same as the previous year: consolidated business performance was ¥3,539.8 billion in net sales, ¥510.5 billion in operating income and ¥502.9 billion in ordinary income. Meanwhile, we recorded an extraordinary loss of ¥51.3 billion, a projected future loss due to operating costs and contract conditions of a certain waste processing facility which our environment business-related subsidiary built, delivered, operates for the long term, and maintains by contract. This being the main reason, the year closed with ¥55.7 billion of extraordinary loss and ¥261.8 billion in net income.

The JFE Group considers the return of profits to its shareholders to be one of its top management priorities, and has a policy of proactively distributing dividends while also ensuring a sustainable corporate structure for the entire Group.

In the Second Medium-Term Business Plan, the JFE Group's endeavors to create highly profitable earnings structure resulted in success. Ordinary income in the year ended March 2007 was ¥513.5 billion, in the year ended March 2008, ¥502.9 billion, which, added to the ¥517.3 billion of March 2006, makes for an ordinary profit of over ¥500 billion for three consecutive fiscal years. Furthermore, large-scale growth investment has been addressed and enacted in the lead up to the Third

Medium-Term Business Plan in order to support and stimulate higher corporate value.

With the Second Medium-Term Business Plan's principle of a payout ratio being based on the figure of 25% (on a consolidated basis), we declared a year-end dividend of ¥60 per share for the year under review, which, combined with the interim dividend paid earlier, results in a full-year dividend of ¥120 per share. Furthermore, in the spirit of proactive generation of return to the shareholders, we acquired treasury shares three times: ¥119,998 million from November 2006 to February 2007, ¥119,994 million from July to August 2007 and ¥119,993 million from March to May 2008.

Consolidated Operating Results

(billions of yen)

Years ended March 31	2007	2008
Net sales	3,260.4	3,539.8
Operating income	503.9	510.5
Ordinary income	513.5	502.9
ROS	15.8%	14.2%
Net income	299.6	261.8
Annual dividend per share	120 (Yen)	120 (Yen)

JFE Steel Corporation



President and CEO

Hajime Bada

The company aims to become a trusted supplier of the world's top value-added products, and under the Second Medium-Term Business Plan we are striving to expand sales of high value-added products that reflect our technological leadership. At the same time, for future growth we are striving to develop and expand sales of high value-added products and to enhance our financial position. We will maintain our focus on maintenance and further improvement of our world-leading technology development capabilities. We will carry forward alliance strategies centering on high value-added areas, and reinforce our domestic production bases.

Crude steel output

34.27
million tons

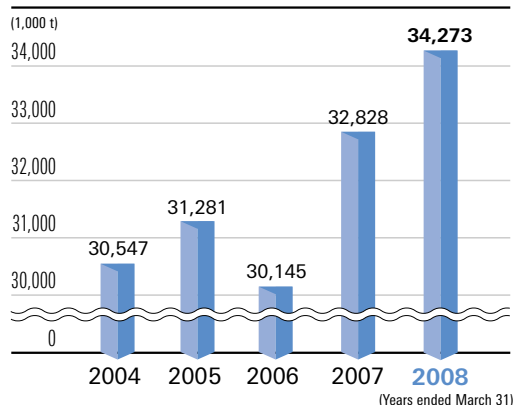
Net sales

3,203.3
billion yen

Ordinary income

508.9
billion yen

Consolidated Crude Steel Output



Operating Results

(billions of yen)

Years ended March 31		2007	2008
Net sales	Non-consolidated of JFE Steel	2,055.5	2,276.2
	Consolidated of JFE Steel	2,925.1	3,203.3
Operating income	Non-consolidated of JFE Steel	388.8	408.0
	Consolidated of JFE Steel	499.9	521.7
Ordinary income	Non-consolidated of JFE Steel	407.5	401.4
	Consolidated of JFE Steel	503.9	508.9
ROS	Consolidated of JFE Steel	17.2%	15.9%

Please visit our website

JFE Steel Corporation

<http://www.jfe-steel.co.jp/>

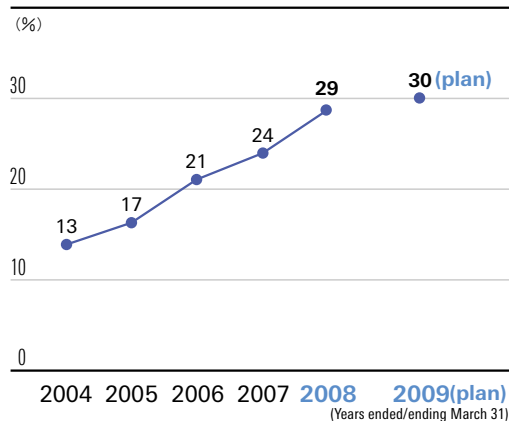


Operating Results for the Year Ended March 2008

In the year ended March 2008, JFE Steel achieved a consolidated crude steel output of 34.27 million tons, an increase over the previous year. The increase was primarily due to vigorous demand centered on production for the domestic manufacturing sector, and steady growth in the high-end steel sector targeting exports.

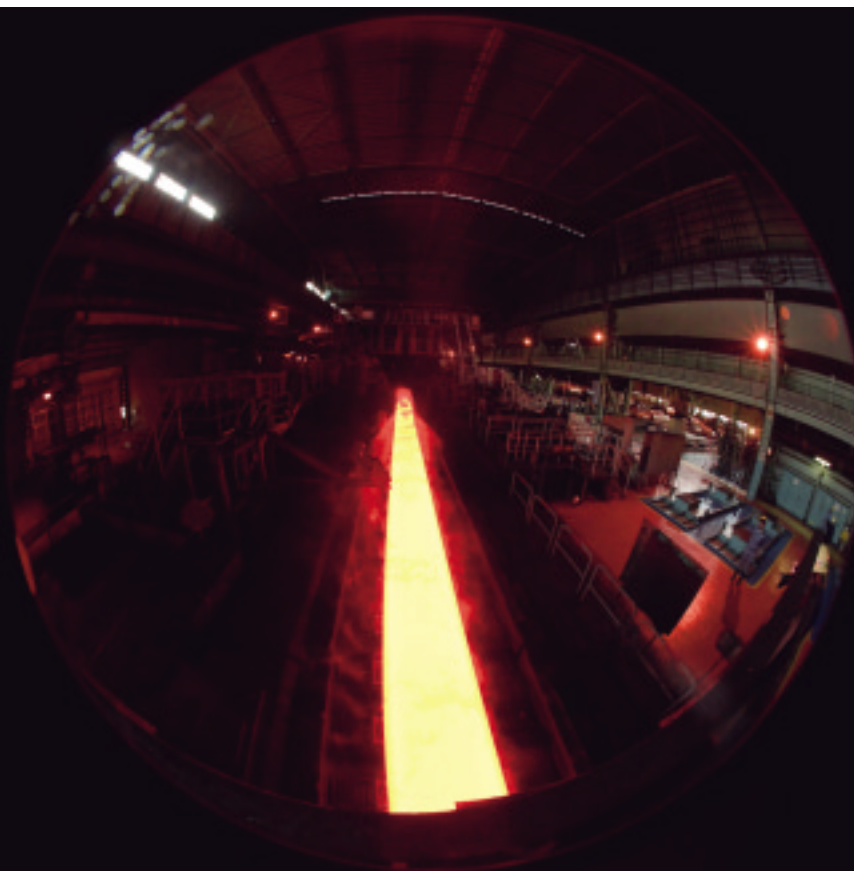
As the result of increased sales volumes, particularly for high-end steel products, and higher sales prices, net sales increased over the previous year to ¥3,203.3 billion. Ordinary income was ¥508.9 billion, also higher than in the previous year. This result reflected higher sales volumes and stronger prices, as well as our ongoing efforts to reduce costs, which offset the rise in raw material prices and higher depreciation expenses as a result of changes in depreciation rules.

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



Proportion of Only One and Number One products to total sales

29%





No. 4 hot-dip galvanizing line at Fukuyama

Activities in the Year Ended March 2008 and Efforts for the Year Ending March 2009

In the year ended March 2008, domestic demand as a whole generally grew at a steady pace, despite delays in the commencement of building construction caused by revision of the Building Standards Law, as the manufacturing sector maintained a high level of production activity, particularly for automobiles, shipbuilding, and construction and manufacturing equipment.

Overseas, demand was robust as newly developing countries led by the BRICs strongly drove the global economy throughout much of the world. This balanced the decelerating trend in exports to the U.S., where the economy slowed centered on the housing market, which contracted in the wake of the subprime loan problem. Demand for steel material exports from Japan was also vigorous, particularly for high-end steel products in sectors such as automobiles and energy.

As a foundation for achieving growth, during the year we all but completed construction of facilities for increasing sales of high value-added products, one objective of our Second Medium-Term Business Plan. This included the start of operations on the No. 4 hot-dip galvanizing line at Fukuyama and the continuous



Small diameter seamless steel pipes production facility at Chita

pickling line at Keihin, and enhancement of production capacity for small diameter seamless steel pipes at Chita. In overseas operations, we began full-scale manufacturing of hot-dip galvanized steel sheets for automobiles at Guangzhou JFE Steel Sheet Company Ltd. in China, and also initiated construction of a cold rolling mill project. Domestic group companies proceeded to consolidate their business foundation as well, and created an organization capable of stably generating ordinary income of at least ¥100 billion.

While the environment surrounding the Company remains uncertain given the sharp rise in prices of resources, concerns about a U.S. economic slowdown, and other factors, the year ending March 2009 is the final year of the Second Medium-Term Business Plan and we will endeavor to consolidate our foundations as a supplier of high value-added products.

JFE has always given priority to "strengthening its foundations" through measures such as demonstrating integrated results quickly, upgrading its production

bases, and enhancing its financial position. To ensure we can consistently meet the demand for high-end steel products in Asia where growth is anticipated, going forward we will aim at expanding our scale of production in line with market growth. To increase our supply capabilities in response to the growth in demand for high value-added products, we are planning to further boost domestic production by approximately 10%.

We also will study a global production system that includes both domestic and foreign production allocations, and work to realize this system at an early stage. In addition, we will pursue further development of vertical specialization in sectors such as raw materials, logistics and processing, and promote measures to achieve "quality growth," including enhancing our quality, delivery, product development and solutions capabilities, which are linked to the raising of customer satisfaction levels.

Ordinary Income
for Group Companies

100.0

billion yen
or more

Capital Investment Plan for the Year Ending March 2009 major Investment Project

Works	Project	Work Period	Amount of Investment
East Japan Works (Keihin)	Expansion of production capacity for high-end steel products	September 2008 — April 2010	¥16 billion
East Japan Works (Keihin)	Construction of shaft-type furnace	June 2007 — August 2008	¥10 billion
West Japan Works	Steel making dust resource collection project	November 2007 — March 2009	¥14 billion
West Japan Works (Kurashiki)	Construction of coke dry quenching facility	July 2007 — February 2009	¥9.5 billion
West Japan Works (Kurashiki)	Construction of No. 12 oxygen plant	July 2008 — October 2009	¥8.5 billion
West Japan Works (Fukuyama)	Expansion of steel production capacity	May 2008 — April 2010	¥50 billion
West Japan Works (Fukuyama)	Construction of coke dry quenching facility	October 2008 — May 2010	¥8 billion
Chita Works	Expansion of production capacity for medium diameter seamless steel pipes	July 2007 — July 2008	¥15 billion
JFE Bars & Shapes Corporation Sendai	Refresh works	September 2006 — September 2008	¥12 billion

※Projects under construction during the year ending March 2009 include ¥85 billion for expansion of crude steel production capacity in the next Medium-Term Business Plan (for the three fiscal years from April 1, 2009 through March 31, 2012).

JFE Engineering Corporation



President and CEO

Sumiyuki Kishimoto

Net sales

314.2
billion yen

Ordinary income

-11.0
billion yen

Our basic policy in the Second Medium-Term Business Plan is to establish a foundation that will generate the highest level of profits in each business sector. Along with restructuring our earnings base by rigorously selecting and concentrating our business sectors and reviewing and consolidating our business organization to address the changing structure of demand, we will work to expand operations in the new energy, energy conservation and recycling business sectors, centered on the private sector and foreign countries, with the goal of steadily building a foundation for growth.

Consolidated Operating Results

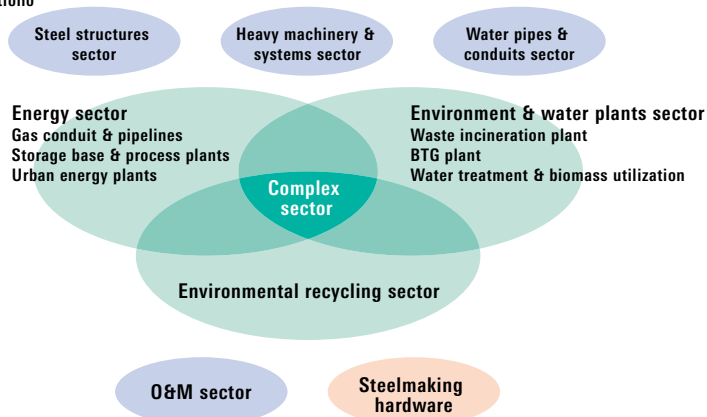
(billions of yen)

Years ended March 31	2007	2008
Orders received	275.1	290.2
Net sales	292.1	314.2
Operating income (loss)	(1.9)	(17.1)
Ordinary income (loss)	5.8	(11.0)

Operating Results for the Year Ended March 2008

During the year ended March 2008, we expanded sales primarily based on private demand, achieving net sales of ¥314.2 billion, an increase compared with the previous year. Nevertheless, earnings deteriorated from the previous year, resulting in an ordinary loss of ¥11.0 billion. In addition to steep increases in material and equipment prices and construction costs, this reflected factors such as additional costs incurred for projects in new sectors aimed at certain segments of private demand.

Business Portfolio



Please visit our website

JFE Engineering Corporation

<http://www.jfe-eng.co.jp/>

Activities in the Year Ended March 2008 and Efforts for the Year Ending March 2009

The year ended March 2008 was Year Two of our Second Medium-Term Business Plan aimed at a "fundamental restructuring of our earnings structure," and we implemented a variety of measures in the face of tough business conditions. This included management reorganizations in response to various circumstances, and selection and concentration that emphasized withdrawal from unprofitable businesses.

In the environmental business, we have been offering comprehensive environmental sector solutions, primarily through JFE Environmental Solutions Corporation, which we established in 2006. Furthermore, in the environment and energy complex sector, which we have identified as a medium- to long-term growth strategy sector, we worked to expand business activities such as biomass power generation, ballast water treatment, conversion of waste plastics to fuel, and volatile organic compound gas (VOC) removal.

In the industrial machinery-related business, we strengthened our tie-ups with outside firms in the turbine and engine sector, and in the steel structures business we decided to merge with Kawatetsu Bridge and Steel Structure Corp., to create a foundation as the strongest business in Japan.

In the year ending March 2009, we will continue to promote selection and concentration of business fields, and focus on reducing fixed costs. Because prices for materials and equipment are projected to continue rising for the immediate future, we will also strengthen risk management from the order receipt phase and strive to achieve an early recovery in earnings. In the engineering business and environmental recycling business of the environmental energy sector, we will devote our energies to business expansion domestically and overseas in conformity with society's needs.



Photograph / Thailand Ministry of Transport

Universal Shipbuilding Corporation



President

Shinjiroh Mishima

The JFE Group enhanced its strategic position with the addition of Universal Shipbuilding Corporation in the year ending March 2009. We continue to aspire for the growth of the entire Group with synergy among Universal Shipbuilding, JFE Steel and JFE Engineering.

Through its superior technological expertise and originality, Universal Shipbuilding Corporation has won the trust of clients in both the domestic and international markets. With its 5 shipyards, highly competitive in terms of both cost and quality, and its Technical Research Center, which boasts a world-class towing tank, Universal Shipbuilding constructs mainly bulk carriers, oil tankers, liquefied gas carriers, and ore carriers. It also builds destroyers, landing ships, minesweepers, ice breakers, and fast patrol vessels, among others.

With its world-class product planning and development capabilities, and with the largest array of construction equipment in Japan, the company has maintained a high profile in the market by launching a number of new style hulls.

In the future we will continue to address a wide spectrum of client needs, and contribute to the entire industry through development and shipbuilding aimed at achieving customer satisfaction. Meanwhile, we will prepare for escalating international competition, mainly from Chinese and Korean companies. We will promote efficiency and consolidate our business foundations in order to enhance our international competitiveness.



Naming and Launching ceremony of icebreaker Shirase



Plan for the Year Ending March 2009

In the year ending March 2009, we are scheduled to deliver 10 bulk carriers, 6 oil tankers, 1 liquefied gas carrier, 4 ore carriers, 1 minesweeper, 4 fast patrol vessels, and 5 other vessels: a total of 31 vessels. Thus, for this year, we foresee sales figures higher than those of the previous year.

Setting the standard for the worldwide very large ore carrier boom, we pioneered the completion of a carrier in the Ariake Shipyard in a joint effort with JFE Steel.

In the capital investment sector, we are laying even more emphasis on production rationalization and environmental measures.

In research and development investment, we are working on the enhancement of performance under the actual-sea condition and environmental measures such as CO₂ reduction, thus focusing on technology development leading to differentiation. Meanwhile, we will enhance productivity by further utilization of

mechatronics and robotics, areas in which we have an advantage.

In systems development investment, we will further enhance designing tools and production control systems.

Category	Base Name	Location
Office	Head Office	Kawasaki, Kanagawa
	London Office <small>(Universal Shipbuilding Europe Limited)</small>	London, U.K.
Shipyards, etc.	Maizuru Shipyard	Maizuru, Kyoto
	Keihin Shipyard	Yokohama, Kanagawa
	Innoshima Shipyard	Onomichi, Hiroshima
	Ariake Shipyard	Nagasu-machi, Tamana-gun, Kumamoto
	Tsu Shipyard	Tsu, Mie
	Technical Research Center	Tsu, Mie

To be delivered
in the year ending
March 2009

31 vessels



Please visit our website

Universal Shipbuilding
Corporation
[http://www.
u-zosen.co.jp/](http://www.u-zosen.co.jp/)

JFE Urban Development Corporation

Net sales

25.5
billion yen



President

Noriaki Shigemi

Under the Second Medium-Term Business Plan, JFE Urban Development continuously promotes the development business to increase the value of real estate held by the Group, and strives to attain sustained growth by establishing a high reputation in the market as a mid-sized developer.

Ordinary income

1.4
billion yen

Operating Results for the Year Ended March 2008

In the year ended March 2008, due to a reduction of the number of condominium apartments transacted, sales came to ¥25.5 billion and ordinary income to ¥1.4 billion. This is a profit decrease compared to the previous period.



Activities in the Year Ended March 2008 and Efforts for the Year Ending March 2009

In the year ended March 2008, the amount of transacted apartments dropped in the condominium apartment business due to a sudden deterioration in the apartment market. However, city development progressed steadily with such achievements as the completion of our fourth seismic condominium skyscraper (360 dwellings, with 926 dwellings in total among four buildings) in the Yokohama Yamanouchi development project and the opening of commercial facilities on the ocean side (hot bath facilities).

In the real estate solution project, we strove to expand our business base through efforts such as obtaining a new order for an apartment building wholesale project.

In the year ending March 2009, we will strive to further increase the productivity of our condominium apartment business, which is struggling in a difficult business climate, develop even more building wholesale projects, and focus on both the opening of commercial facilities in the Soga region of Chiba Prefecture and smooth post-opening operations.



Please visit our website

JFE Urban Development Corporation

<http://www.jfe-ud.co.jp/>

Kawasaki Microelectronics, Inc.



President and CEO

Yukio Yamauchi

Under the Second Medium-Term Business Plan, Kawasaki Microelectronics is pursuing sustained growth. To this end, we strive to expand the volume of transactions with prominent customers in priority fields such as sectors targeted at LCD panels, as well as developing and tapping markets for new application equipment fields including communication equipment.



Operating Results for the Year Ended March 2008

In the year ended March 2008, sales came to ¥42.9 billion. This is a slight decrease compared to the previous period. However, because we worked to reduce costs, ordinary income was ¥1.1 billion, an increase over the previous period.

Activities in the Year Ended March 2008 and Efforts for the Year Ending March 2009

In the year ended March 2008, or the second fiscal year under the Second Medium-Term Business Plan, Kawasaki Microelectronics further boosted designing, manufacturing and prompt and detailed technical service capabilities for the purpose of enabling customers to optimize the features of each product.

For the year ending March 2009, we will step up our integrated production system which can assure a high level of reliability, spanning from designing, wafer manufacturing and assembly all the way up to testing. At the same time, we will focus our efforts on the fields of LCD panels, flat-screen televisions, OA equipment and communication equipment.

Net sales

42.9
billion yen

Ordinary income

1.1
billion yen



Utsunomiya Works

Please visit our website

Kawasaki Microelectronics, Inc.

<http://www.k-micro.com/>

R&D Aimed at Further Progress and Growth

R&D staff

about **700**
researchers

Patent applications

1,600
or more / year

JFE Group's R&D System

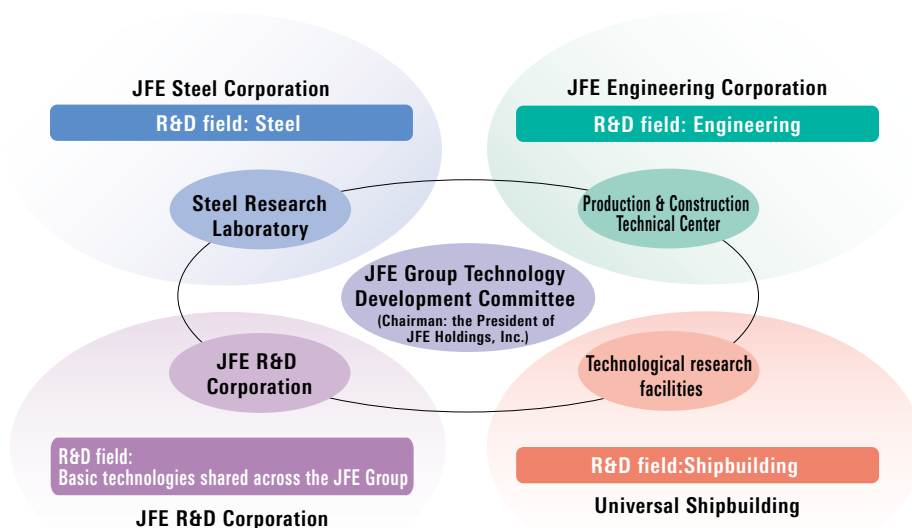
Based on its corporate vision to contribute to society with the world's most innovative technology, the JFE Group conducts R&D at each of its operating companies in a highly creative fashion and demonstrates the results of synergy on the back of teamwork between JFE R&D Corporation and other Group companies.

The JFE Group Technology Development Committee chaired by the President of JFE Holdings, Inc. formulates Group-wide R&D strategies and selects and works on crucial projects which need to be tackled Group-wide. From 2008 onward, the Universal Shipbuilding's Technical Research Center joined the Group, expanding the specialist domain into

shipbuilding, in addition to crude steel and engineering.

Numerous researchers from client companies have visited both the Customers' Solution Laboratory (CSL), a forum established in 2005 for cooperation with customers in the automobile fields, and the Technical Solution Center for Steel Construction Materials (THiNK SMART), a forum established in 2005 for cooperation with customers in civil engineering and construction fields. These centers are both thriving as milieus for the creation of new technology.

The JFE Group will continue to immerse itself in R&D activities, pushing the boundaries of the world's most innovative standards for technology.



JFE R&D Corporation

The basic role of JFE R&D Corporation is to propose innovative concepts to the JFE Group and put them into practice. This involves capitalizing on our advanced core technologies by deepening, expanding and integrating them. Based on this role, we engage in development from a point of view that focuses not only on the issues at hand but also includes a future vision. Through these endeavors we contribute to the enhancement of the JFE Group's corporate value.

President

Takashi Obara

JFE Fights Global Warming with Cutting Edge Technology for its Electrical Steel Sheets

Grain-oriented electrical steel sheets, used in transformer cores, have been called steel art and require a high level of technology. Using all-original technology, JFE Steel develops and manufactures a high performance grain-oriented electrical steel sheet called JGSD that cuts transformer iron loss and noise pollution. And the non-oriented electrical steel sheets used in generators and motors for automobiles and household electric appliances represent a crystallization of material technology. JFE Steel is developing and expanding diverse product lines such as JNE, with high flux

density and ultra low iron loss, and high capacity coating.

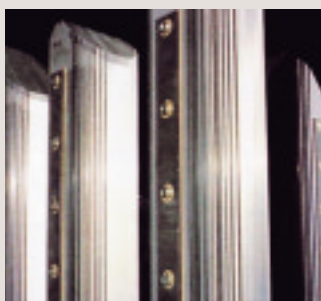
Furthermore, with its Super Core, JFE introduced to the world the coiling of thin sheets with high silicon content (6.5% Si). Super Core excels in high wave frequency and low noise features, and is used in the reactors of hybrid cars.

In addition to developing materials, the JFE Group promotes technological research to boost equipment performance and conducts an ever expanding, solution oriented business.

External technology
awards received

50

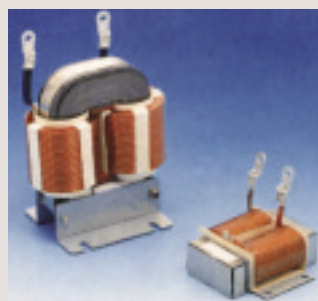
awards
for the past 3 years



Transformer cores using JGS - low noise grain oriented electrical steel sheeting



Motor cores using JNE - high efficiency non-oriented electrical steel sheeting



Reactor cores using JNEX - high silicon steel sheeting

JFE Group's Concerted Technological Effort Achieved High Deformability Line Pipes

Seismic and permafrost regions experience severe ground deformation. In these hostile environments, natural gas pipelines require high strain pipes able to withstand the deforming stresses.

HIPER offers the strain capacity demanded for

such projects, being able to withstand strains 1.5 to 2.0 times more severe than conventional pipes, making them ideal in the face of challenges to pipeline integrity.



Full-scale bending test to verify high-strain capacity



Precise evaluation of post-buckling deformation using advanced FEA



Full-scale compression test to verify high-strain capacity

SOCIAL ASPECTS

Walking Hand in Hand with Society

Corporations are expected to live up to a wide variety of social responsibilities to a diverse group of stakeholders, including such as 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

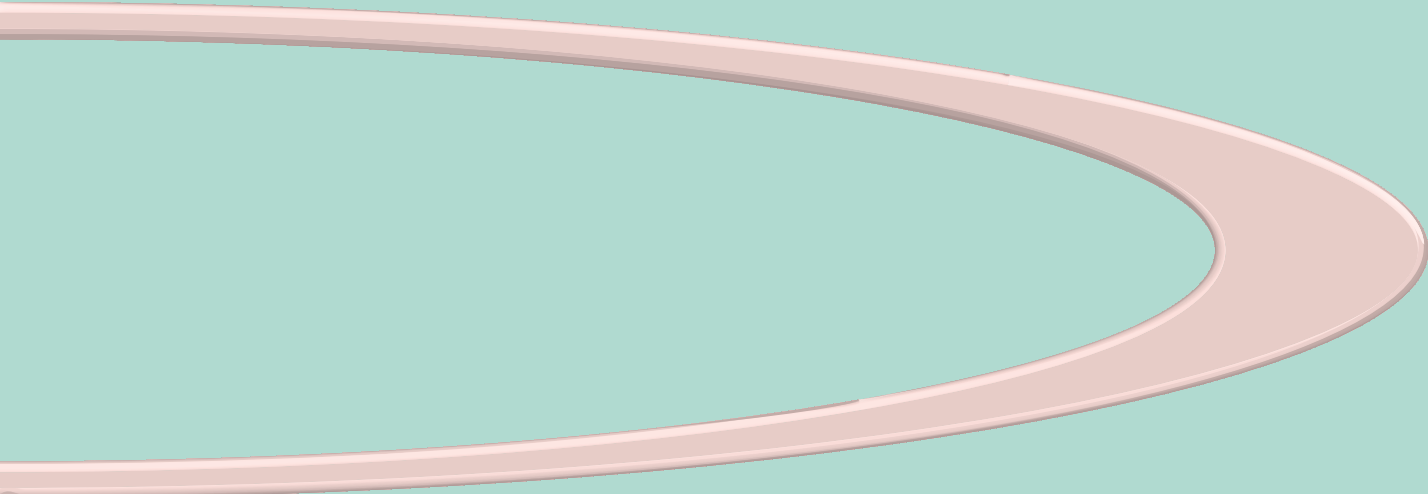
Comply with all applicable laws and ordinances, endeavor to compete fairly and freely, refrain from illegal business activities, promote sound business practices, and be faithful and sincere in all activities and dealings.



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

1. 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.

2. 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.

3. To make contributions through conservation of resources and energy

JFE contributes to the creation of a resource and energy savingsociety through recycling and energy supply businesses which give priority to preservation of the global environment.

4. 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.

5. 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 transfer, etc.

Message from Senior Management

The JFE Group aims to develop together with society

JFE Holdings, Inc.
Member of the Board
Senior Vice President

Eiji Hayashida



In order to actualize our corporate vision of "contributing to society with the world's most innovative technology," the JFE Group proposes Corporate Values, Corporate Standards of Business Conduct, an Environmental Philosophy, and an Environmental Policy, and aims for corporate management that develops together with society. Together, the promotion of CSR and establishment of corporate governance form one pillar of the basic policies stressed in the Second Medium-Term Business Plan for the year ended March 2007 onwards. We are thoroughly implementing compliance, actively tackling environmental issues, and striving for safety assurance.

Earning Trust from Customers and Business Partners

In order to earn an even higher level of trust from customers in our products and technology, we have worked towards obtaining various types of certifications and establishing management systems. We opened two special research facilities geared towards promoting areas such as product development in league with customers. In addition to striving to answer customer needs, we are contributing to a strengthening of the competitive power of the Japanese manufacturing industry.

A Corporation Visible to Shareholders and Investors

The JFE Group considers the supply of appropriate company information to all shareholders and investors very important. We began making quarterly earnings announcements in the year ended March 2008, and continue to strive towards the timely and accurate supply of company information through the internet and the media. Furthermore, with practices such as the

provision of guided tours of plants for shareholders, which began in the year ended March 2007, we maintain a high level of communication and strive to be a company which is highly transparent for shareholders and investors. In the return of profits to customers, too, we actively pursue shareholder returns, including acquiring of treasury shares, in line with the state of corporate profits.

Living Together with Local Communities

The JFE Group has large business bases in various locations. Our corporate activities subsist thanks to the understanding of local communities, and each business base is an important center supporting the local economy. We are highly aware of these bases, and we will continue giving support in such areas as university research, education, cultural activities, welfare activities, and disaster relief activities. Also, we plan to continue holding events in our places of business and furnishing facilities related to our places of business for local community members.

Sustained Development of the Company Together with Employees

In the process of conducting business activities, it is important to create an environment wherein diverse employees can work energetically. While implementing basic aspects such as providing an ideal work environment for female workers, employing people with disabilities, establishing and implementing a correct understanding and awareness of human rights issues, and providing a safe work environment, we continue to conduct various measures that promote the skill development of each employee through small group work activities and training in technological skills that have underpinned the Japanese manufacturing industry.

Efforts to Reduce Greenhouse Gases

JFE is fully aware that we are a high volume generator of greenhouse gas emissions. We thoroughly promote energy conservation, actively invest in the introduction of new technology, promote conversion away from chemical substances with a high global warming potential, reduce our greenhouse gas emissions, and fulfill the reduction targets of the Voluntary Action Program proposed by Nippon Keidanren (Japan Business Federation). Moreover, we promote appropriate responses to the various risks that bring about changes in climate. Also, we are contributing to reduction of greenhouse gas emissions worldwide through the provision of the JFE Group's cutting edge technology.

Reducing Environmental Burden in Our Business Activities

In addition to greenhouse gases, our business activities generate environmental burdens such as water discharge, exhaust gas, and chemical substances. The JFE Group strives to thoroughly reduce these burdens and protect the global environment.

Social Contributions via Environmental Technology

The JFE Group develops, owns, and provides a large quantity of environment-conscious products and technology. Innovative technological development is essential in resolving global environmental issues such as the problem of climate changing. JFE commands a research system that meets the highest global standards and is dedicated to playing its part to protect the global environment.

CSR System

CSR System

The JFE Group is fully aware of its corporate responsibility as a member of society. Geared towards a better society, Corporate Social Responsibility (CSR) is an integral element of the JFE Group management, and the company continues to strengthen its CSR endeavors.

The JFE Group CSR Council (chaired by the President) was established at JFE Holdings, Inc. in October 2005. The agendas encompass various issues including but not limited to compliance, the environment, internal control, personnel/labor, safety, disaster prevention, social contribution, and dealing with antisocial forces. The organization is structured to supervise and guide the entire Group's CSR efforts. Particularly with regard to compliance, the environment, and internal control, we have independent committees (headed by the President) to strengthen the relevant efforts. In April 2008, we inaugurated a new system with the addition of the Universal Shipbuilding Corporation.

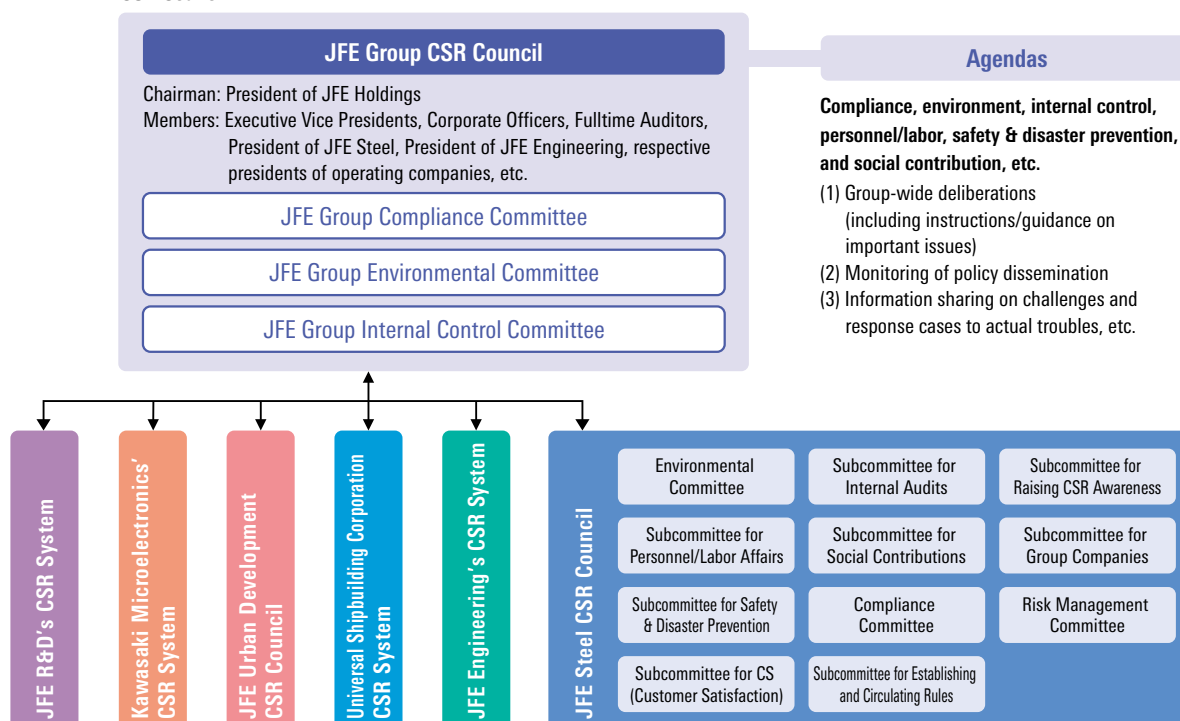
Major CSR Activities in the Year Ended March 2008

JFE Steel Corporation

JFE Steel Corporation defines CSR as an endeavor to improve stakeholder satisfaction and raise enterprise 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, we prioritize and strive to (i) establish a Plan-Do-Check-Action (PDCA) cycle and (ii) raise CSR awareness.

The CSR Council (chaired by the President) promotes the CSR concept within the company, deliberates on CSR-related challenges and policies, and monitors progress of concrete measures. In the year ended March 2008, the CSR Council convened ten meetings, discussing agendas for each of eleven committees /subcommittees.

CSR Council



Environmental Management System

Construction and Operation of Environmental Management System

More specifically, based on the results of interview surveys of customers, the Subcommittee for Customer Satisfaction strengthened inner-company coordination and took action to increase the attractiveness of the company.

With a focus on steelworks, the Subcommittee for Social Contributions increased the number of visitors on plant tours through efforts such as holding plant tours for city residents, and continued to hold JFE Festivals together with local governments and support local sports events.

October of each year is "Compliance Month," and to promote it the Subcommittee for Establishing and Circulating Rules held a reading of the major points of laws, ordinances, and rules and a review of company rules in order to instill an awareness of legal compliance among employees.

The Subcommittee for Internal Audits implemented special audits on themes related to CSR such as checks on the status of performance in the area of safety and sanitation and environmental audits for each place of business.

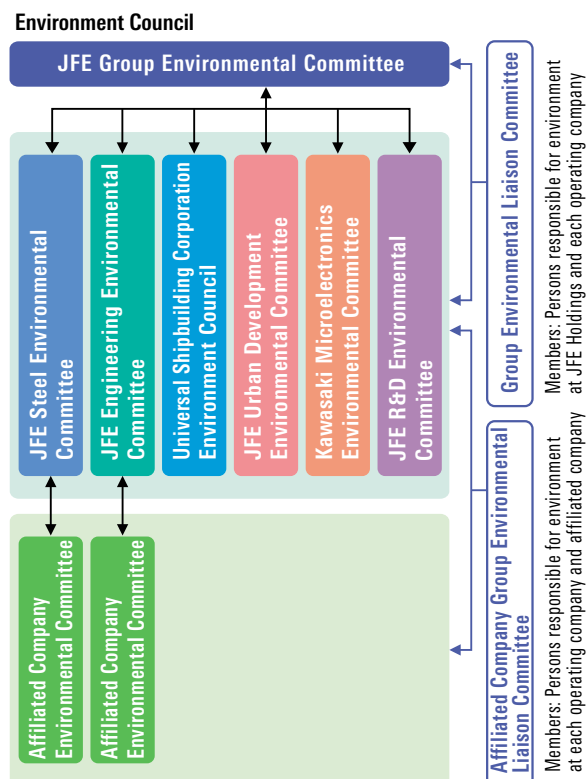
In the year ending March 2009, we plan to expand the penetration of CSR awareness through the introduction of case method training pertaining to corporate ethics. Also, we will continue sharing information and striving for thoroughgoing communication.

JFE Engineering Corporation

Defining compliance, safety, disaster prevention, and environmental conservation as its four basic responsibilities, JFE Engineering Corporation promotes business activities based on its conviction that CSR should be an essential part of management. With regard to compliance in particular, JFE Engineering perceives compliance with the Antimonopoly Law as the most important challenge, reinforcing activities to prevent recurrence of violations. To this end, we are committed to enhancing employee awareness through measures such as compliance training and copy delivery of the Compliance Guidebook, as well as striving to improve operational processes.

Under the JFE Group CSR Council, the JFE Group has set up not only the Group Environmental Committee chaired by the President of JFE Holdings, but also 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, progress checks of those activities, and evaluation of environmental performance for the whole group.

JFE has also established the Group Environmental Liaison Committee made up of persons responsible for environmental matters at JFE Holdings and the five operating companies in order to spread environmental activities within the Group evenly and improve the level of activities. From 2008, with under a new system by which Universal Shipbuilding Corporation has been added to the five operating companies, JFE aims to further improve the Environment Management system.



With Customers and Clients

JFE Group Quality Assurance System

■ JFE Steel

JFE Steel has acquired ISO 9001 certification and various other qualifications such as the new JIS mark, API, and Register of Shipping. The company has a standardized improvement program, based on the use of quality control manuals, for its quality enhancement/management systems. Furthermore, through joint product development carried out together with customers, the group is unified in its aim to supply products which help enhance customer competitiveness and bring customer satisfaction.

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

In August 2005, CSL was established as Japanese industry's first communication facility with customers in the automotive fields, in order to enhance customer satisfaction. Display of cutting edge research, studies of automobile bodies and material compositions, laboratory experimentation, and meetings all take place in this facility. Joint activities carried out with automobile cooperatives and parts manufacturers not only promote vigorous joint research but also lead to acceleration of R&D.

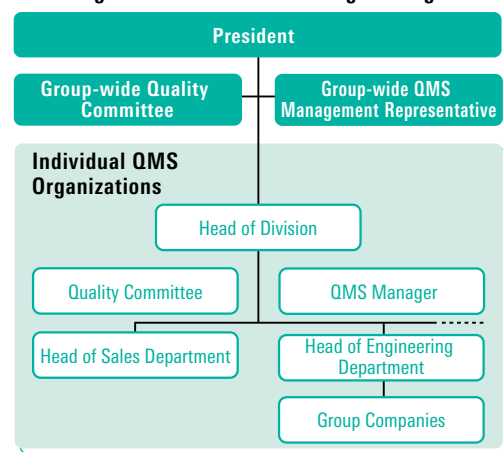


■ JFE Engineering

JFE Engineering has acquired ISO 9001 certification and established a quality assurance system that takes into account the special characteristics of products by constructing Quality Management Systems (QMS) for each business department under the QMS of the whole group.

We endeavor to assure quality through QMS from sales, design, and construction to backup services. Furthermore, in order to secure stable quality levels even under varying construction conditions at construction sites, we will enhance the management of various business processes to ensure stable quality, and thus provide products and services which fully satisfy customers.

Basic Organization Chart of JFE Engineering's QMS



Improvement of Customer Satisfaction (CS)

The JFE Group promotes communication with customers to increase customer satisfaction and carries out divisional activities, ranging from product development to manufacturing to sales, to improve customers' evaluation of JFE and to make the company more attractive to customers.

JFE Steel conducts customer interview surveys and analysis through outsourcing. Based on the results, development, manufacturing, and sales divisions cooperate to promote activities that make the company attractive to customers.

The ongoing after-service activities of JFE Urban Development are also aimed at the enhancement of customer satisfaction. The directly-managed Customer Center provides a full range of services in rapid response to customer needs, serving as a contact point for condominium after-sales services of the seller, JFE Urban Development.

JFE Group Privacy Statement

JFE Holdings, Inc. and the JFE Group companies in Japan ("the JFE Group" hereinafter) have formulated the following policies on the handling of personal information to facilitate the smooth and appropriate administration of group operations.

1. Basic policies on the protection of personal information

- (1) The JFE Group will, in light of the growing use of personal information resulting from advances in data communications, endeavor to protect the rights and interests of the individual while also respecting the utility of the personal information it holds.
- (2) The JFE Group will observe the "Law concerning the Protection of Personal Information" and all other relevant laws and ordinances, and will endeavor to adhere to both the spirit and the letter of the law as it protects personal information.
- (3) The JFE Group will endeavor to appropriately protect personal information by formulating internal rules on the management of personal information and by informing, educating and training its employees on these rules and on all applicable Japanese laws and ordinances. The JFE Group will also review and improve this privacy statement and internal rules on an on-going basis.

2. Policies regarding the collection and use of personal information

- (1) Designation of purposes, appropriate collection and use activities
The JFE Group will, when handling personal information, endeavor to designate the purpose of use as specifically as possible and will not collect or use personal information beyond this purpose without the prior consent of the

Adoption of Authentication System Based on Finger Vein Biometrics

To further strengthen the protection of personal information, JFE Urban Development has installed security doors that use a biometric authentication system (based on venous vessel patterns) at each of the two entrances of the room where customer information is stored. With access logs also available, this system provides stronger security than the numeric keypad authentication in general use.



Authentication system based on finger vein biometrics

individual. The JFE Group will not use falsehood or other illicit means to collect personal information.

- (2) Appropriate safety management
The JFE Group will endeavor to maintain the accuracy of the personal information it has collected and will take necessary and appropriate measures to prevent illicit access to personal information, disclosure, loss or modification of personal information and other forms of damage and injury. It will also provide necessary and appropriate supervision to employees and service providers handling personal information to ensure that personal information is managed in a safe and appropriate manner.
- (3) Provision to third parties and joint use with third parties
The JFE Group will not furnish personal information to third parties without the prior consent of the individual. In the event that the JFE Group uses personal information jointly with third parties, it will notify the individual and/or publish all matters required by applicable Japanese laws in advance.
- (4) Disclosure, correction, suspension of use and handling of complaints
The JFE Group will deal appropriately and as required by applicable Japanese laws with requests from the individual for the disclosure, correction, addition, deletion or suspension of use of personal information regarding him or her. The JFE Group will also deal appropriately and speedily with complaints regarding the use of personal information.

3. Contact

All inquiries regarding the handling of personal information should be addressed to the General Administration Dept. of JFE Holdings or to the responsible departments listed on the websites, etc., of individual JFE Group companies.

With Shareholders and Investors

Basic Policy for Returns to Shareholders

The JFE Group considers generating returns to its shareholders one of its top management policies, and pays dividends based on trends in its business performance. At the same time, it maintains a balance of internal reserves to prepare for aggressive business expansion in order to enhance the Group's financial position and improve its medium-term business performance, based on a stable and highly profitable structure.

The Second Medium-Term Business Plan (for the three fiscal years from April 1, 2006 through March 31, 2009) includes a basic dividend policy to increase its payout ratio to about 25%, and slates dividends of ¥200 billion to be paid out from net income of ¥800 billion on a consolidated basis during the three years. Following the dividend of the year ended March 2007, in the second year ended March 2008, we declared a dividend of ¥120 per share (payout ratio: 26.6%).

In addition to the dividends, JFE acquired treasury shares of ¥141.2 billion during the year ended March 2008, resulting in a total returns ratio of 80.2%.

It is our basic policy to continuously and proactively generate returns for our shareholders.

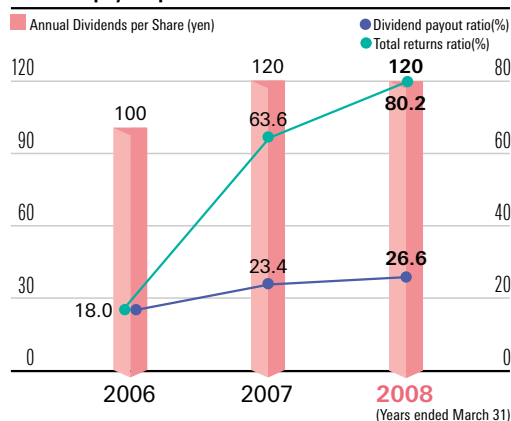
Dividend payout ratio

26.6%

Total returns ratio

80.2%

Trends in Annual Dividends and Dividend payout per Share



Basic Policy for Information Disclosure

The JFE Group is aware that timely and appropriate disclosure of corporate information to investors is the bedrock of a healthy securities market. We constantly endeavor to enhance our internal framework so as to disclose consistent corporate information in a prompt, precise, fair and appropriate manner from the viewpoint of investors.



Website

IR Calendar for the Year Ended March 2008

June 27, 2007	Annual shareholders' meeting
July 30, 2007	Announcement of summary of consolidated financial and operating results for 1Q of the year ended March 2008
July 30, 2007	Notification of acquisition program of treasury shares (¥120 billion)
August 22, 2007	Notification of completed acquisition of treasury shares (approximately ¥120 billion)
October 25, 2007	Announcement of the financial results for the 1st half of the year ended March 2008 and the financial forecast for the year ended March 2008
February 4, 2008	Announcement of summary of consolidated financial and operating results for 3Q of the year ended March 2008
February 28, 2008	Notification of acquisition program of treasury shares (¥120 billion)
April 24, 2008	Announcement of the financial results for the year ended March 2008

Communication with Shareholders and Investors

The JFE Group strives to deepen communication with both institutional and individual investors.

For institutional investors and securities analysts, we give individual press interviews and visit domestic and overseas investors. Regarding the results briefing targeting analysts, we strive for fair disclosure through activities such as online publication of materials.

For our overseas shareholders, we also strive to provide the same level of information overseas as in Japan, making it a rule, for example, to issue key press releases simultaneously in both Japanese and English.

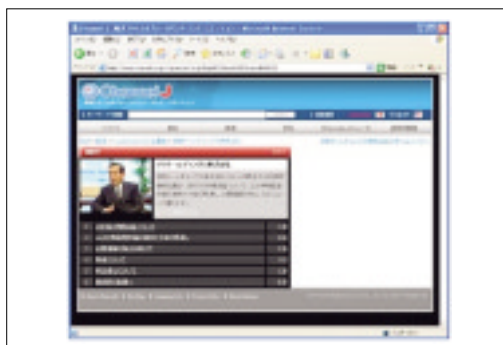
For individual investors, we actively pursue information distribution through means such as giving company briefing sessions at securities company branch offices, streaming top interviews online, and providing IR e-mail distribution services.

For shareholders, in addition to delivering report documents outlining interim results and full year results, we began holding guided tours at plants from

the year ended March 2007 and sent out Quo-cards to shareholders who exercised their voting rights at ordinary general shareholder meetings. Furthermore, we established a new special benefit plan for shareholders to express our gratitude for their constant support, increase our investment appeal, and increase retainable shareholders in the mid to long term. (We gave gifts of "Eco Saku" (eco farming) vegetables, hydroponically-cultivated and grown without agrichemicals, produced and sold by JFE Life Corporation, part of our Group.)



"Eco-saku" vegetables are safe, chemical-free, and clean, grown in hygiene-controlled greenhouses. Unaffected by daylight hours, weather conditions, or seasonality, "Eco-saku" offers what are usually only seasonal delicacies at any time of the year.



Distribution of top interview movie

Guided Tours at Works for Shareholders

To help our shareholders gain further understanding of the JFE Group, we began organizing guided tours of plants, and corporate briefing sessions, in the year ended March 2007.

Specifically, a total of 2,519 shareholders participated in 25 guided tours at JFE Steel's plants, visiting either the East Japan Works (Keihin, Chiba), the West Japan Works (Fukuyama, Kurashiki), or JFE Engineering Corporation Tsu Works and Universal Shipbuilding Corporation Tsu Shipyard during the year ended March 2008. (We welcomed a total of over 5,000 shareholders in two years.)

We plan to maintain these tours for our shareholders through the year ending March 2009 and onward.



Guided tours at works for shareholders

Number of participants
for guided tours of plants
for shareholders

2,519
shareholders

With Local Communities

Total number of Grants
for technical research

343
projects

Philanthropic Activities by the JFE 21st Century Foundation

This foundation, which was launched in 2003 as a successor to the Kawasaki Steel 21st Century Foundation established in 1990, engages in projects aimed at fulfilling the purpose of its establishment, which is to further promote harmony between the Group's business activities and society in general, and share prosperity with the community at large in order to achieve a more open presence. (Project expenses for the year ending March 2009: ¥120 million.)



Award certificate from Chairperson Sudo

■ Grants for Technical Research

Since the year ended March 1992, the JFE 21st Century 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 2008, 343 projects have received a cumulative total of ¥690 million in research grants, giving the Foundation a high rating among universities. In the year ended March 2008, the Foundation provided a total of ¥50 million in research grants to 16

research projects related to steel technology and 9 projects related to environmental technology (¥2 million per project), chosen from among a great number of grant applications. We create reports on research results and publicize them on the Foundation's website for both Technical Research and Asian History Studies.

■ Grants for Asian History Studies

In the year ended March 2006, the JFE 21st Century Foundation introduced grants for the purpose of promoting Asian history studies in Japanese universities. In its third year, ended March 2008, the Foundation received 57 grant applications and provided a total of ¥10.5 million in grants to seven projects (¥1.5 million per project).

■ Supporting Educational Activities in Regions with Ties to Steel

In the year ended March 1992, the Foundation established the JFE 21st Century Foundation Award with a creative writing competition (essays, poems, tanka and haiku) targeted at Japanese elementary school and junior high school students studying overseas. It is organized by the Japan Overseas Educational Services (JOES). In the year ended March 2008, the Foundation, co-sponsor of the event, donated copies of an anthology of winning entries named "Learn from the Earth" to 1,162 elementary schools, 596 junior high schools and 116 public libraries.

Co-sponsoring Cultural Activities and Events

The JFE 21st Century Foundation cosponsors various cultural activities and events participated in by the public and hosted by local authorities and community groups. The activities and events cosponsored in year ended 2008 are listed on the right.



Handa Float Festival

Year Ended March 2008

- Jo Chihun Cup: Go Competition (Chiba City)
- Chiba Prefectural Youth Go Competition (Chiba City, Funabashi City)
- Chiba Citizens' Music Festival (Chiba City)
- Japanese Traditional night Noh Drama at in Hibiya City (Chiyoda-ku, Tokyo)
- MUZA Lunch & Night Concert (Kawasaki City)
- ART KAWASAKI 2007 (Kawasaki City)
- Community Festival (Kawasaki City)
- Yokohama Children's International Peace Program (Yokohama City)
- Handa Community Industrial Festival (Handa City)
- Handa Float Festival (Handa City)
- Mie Prefecture High Schools' Robot Tournament (Tsu City)
- Kurashiki Music Festival (Kurashiki City)
- Shogi Talk Show in Tivoli (Kurashiki City)
- Fukuyama Rose Festival (Fukuyama City)
- The World of Yosakoi (Fukuyama City)
- Noh Drama Performance on Noh Stage in Setouchi (Fukuyama City)

For further information

JFE 21st Century Foundation
[http://www.
jfe-21st-cf.or.jp/](http://www.jfe-21st-cf.or.jp/)

Donation and Assistance Activities

The JFE Group carries out various donation and assistance activities in a wide array of fields including casualty assistance, education, community, welfare, culture and art in order to contribute to both regional and international communities.

Among them, in the year ended March 2007, we continued our support of the "All China Selection - China Japanese Speech Contest," a Japanese speech contest for university students across China, as a means to support culture and international exchange. We are committed to carrying on this tradition of support with the third contest, which is to be held in the year ending March 2009.



All China Selection - China Japanese Speech Contest

Open-day Events at Steelworks

For the local residents, JFE Steel holds open-day events every year at each of its steelworks.

For example, West Japan Works held "JFE West Japan Festa in Kurashiki" and "JFE West Japan Festa in Fukuyama." 330,000 people in total visited and enjoyed those events.

Also, with the aim of supporting local sports promotion and development, JFE Steel hosts local sports events, including tournaments of soccer, baseball and volleyball held in recreation facilities within its steelworks.



JFE West Japan Festa in Fukuyama

150th Anniversary Event for the Birth of Modern Iron Manufacturing

This year, which marks the 150th anniversary of the birth of modern iron manufacturing, the Japan Iron and Steel Federation (JISF) is promoting a wide arena of events for the 150th Anniversary Celebration of the Birth of Modern Iron Manufacturing. The singer-songwriter Tatsuya Ishii and famous "science producer" Denjiro Yonemura serve as "publicity ambassadors," revealing the wonders of iron in a variety of formats. We hope these events inspire more people to get excited about steel and what makes up the world of steel and to think about the importance of manufacturing and creation.

(The photograph shows Mr. Hajime Bada, president of JFE Steel (and chairman of the JISF at the time), attending the February 2008 unveiling of the anniversary event image character "Aira" together with Tatsuya Ishii, who designed the character.)



With Our Employees

Employment rates for disabled persons

■ JFE Steel

2.05%

■ JFE Engineering

1.96%

■ Kawasaki
Microelectronics

1.86%

Employment of People with Disabilities

The JFE Group puts a great deal of effort into promoting employment of people with disabilities. In order to provide various disabled persons with workplaces where they can fully exercise their abilities, we operate three 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.



Mie Data Craft Co., Ltd.

Creating a Worker-friendly Environment

The JFE Group seeks to maintain the working conditions and benefits program for employees so that they can work with a sense of security. For example, we have extended the child-care leave period and introduced shorter working hours for employees who are raising small children in order to enable them to strike a balance between work and family life.

Moreover, the housing program is being dramatically revised in the year ended March 2008 as part of our effort to proactively respond to the diverse lifestyles of our employees.

Respecting Human Rights

The JFE Group is engaged in activities to protect human rights group-wide, recognizing that respecting the human rights of the general public and employees is a corporate social responsibility.

More specifically, we are committed to (1) steady implementation of various training courses for raising consciousness of human rights, (2) guaranteeing equal job opportunity and promoting fair personnel management.

Our efforts to prevent sexual harassment include stipulating anti-sexual harassment clauses in work regulations, providing training courses, displaying posters, and establishing male and female counseling services at each office. Also, during the Human Rights Week, we convey messages from executive officers, solicit phrases to encourage workers to think about human rights, and post a variety of consciousness-raising information on our website.



Human rights training courses

Labor-management Initiatives

The JFE Group endeavors to build up healthy and constructive labor-management relations. Recognizing that open communication between labor and management is essential to this end, we are committed to proactive labor-management dialogue by creating

opportunities for the president, senior management and union representatives to periodically exchange opinions on current management issues and policies, etc. (quarterly labor-management conferences).

Internal Awards Program

JFE Steel has an internal awards program to recognize employees and in-house groups who have achieved outstanding performance in the field of developing new technology or reforming the operation process, and honor their achievements.

Every year, outstanding performance is honored with technology and accomplishment awards. The JFE Steel President's Award is also presented to one of the program winners for exceptional performance. A program that contributes substantially to an increase in

Only One/ Number One Products is awarded the New Product Development Award. JFE Engineering also has its awards program. Every year, the President's Award is given to outstanding performance related to JFE Group's businesses. We also offer awards to individuals who contribute to the business significantly, such as the Challenge Award for those who achieve high operation targets and the Meister Award for those with excellent manufacturing skills.



JFE Steel Corporation - Award from the President



JFE Engineering Corporation - Award from the President

Re-employment rate
under the Senior
Expert Program

66%

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

To prepare for the inevitable and dramatic generation shift in the workforce over the next decade, JFE Steel's steelworks have developed and implemented a personnel training system which encourages novice or intermediate workers to improve their skills and techniques in a planned and consistent manner.

In addition, based on the view that senior employees with a wealth of valuable experience and expertise are extremely capable members of the workforce, JFE Steel established the Senior Expert Program, a program re-employing workers beyond the retirement age of 60.

JFE Engineering established an internal human resource bank system dubbed the JFE Human Resource Bank targeting former employees of each group company. Under this system, former employees are enrolled according to such categories as expertise, qualifications, and project experience, and sign an employment contract with a division short of human resources such as engineers, or with a division which needs skills passed down from experts. We believe this will become a model means by which to pass on skills and techniques to the next generation.

Creating Vibrant Work Environments through Small Group Activities

At JFE Steel, about 1,500 in-house groups across the company are engaged in small group activities dubbed "J1 Activities," where important issues concerning work environments such as improvement of quality and operation are tackled and a number of challenges are overcome. On top of this, the JFE Family Result Reporting Conference (a companywide conference) is held twice a year, with participants including those from domestic and international group companies. Expert groups are dispatched overseas as part of JFE Steel's effort to vitalize these activities.

Meanwhile, at JFE Engineering, more than 200 circles (including those of group companies) are engaged in "JE1 K-UP Activities" where "K" represents "Kaizen (improvement), Kohritsu (efficiency), Keiken (experience), Katsuryoku (vitality), and Kaeru (change)." Under this slogan, employees across workplaces are united to challenge important issues by combining their creative ingenuity.



JFE Steel - J1 Convention



J1 Awards Ceremony

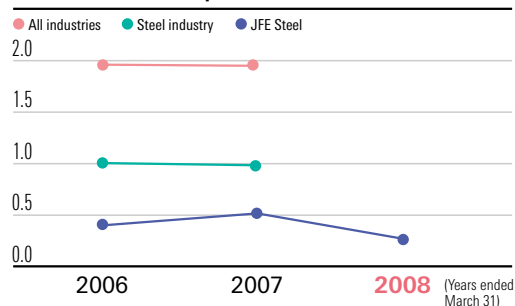
Industrial Health and Safety

Ensuring the safety and health of employees is fundamental to the manufacturing industry and is the basis of corporate sustainability.

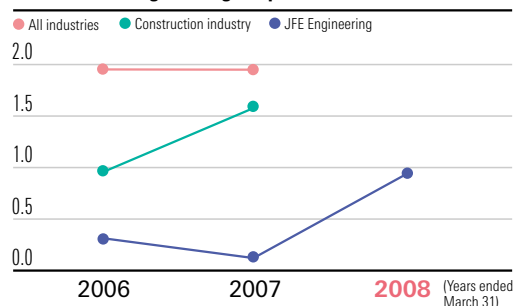
Based on its fundamental belief that safety should have priority over all else, JFE Steel is endeavoring to enhance and reinforce safety measures. The rate of accidents causing absence from work, which indicates the status of accidents happening at work, has displayed an increasing trend for the past few years. However, last year it dropped for the first time since the foundation of JFE, and the situation is showing signs of continued improvement. We shall continue to make improvements in all aspects of facilities, personnel, and operations.

JFE Engineering promotes flexible and detailed safety control, taking account of the circumstances at construction sites and operation bases across the country as well as at each manufacturing plant. We are striving to eliminate accidents causing absence from work by enhancing safety awareness in individual employees. To this end we are carrying out unified safety activities among group companies.

Trends in Rate of Accidents Causing Absence from Work at JFE Steel Corporation



Trends in Rate of Accidents Causing Absence from Work at JFE Engineering Corporation



Data for the year ended March 2008 have not been announced yet for all industries and the steel industry (as of June 2008).

Efforts to Prevent Disasters

In October 2007, JFE Steel conducted disaster prevention training at all locations of our facilities. It was the second companywide disaster prevention training and was implemented on the assumption that an earthquake of intensity 6 had hit the Kanto region on a day off and had damaged the headquarters and East Japan Works. First, a disaster headquarters was established in the West Japan Works which was then moved to Keihin Works when the President came to take control there. All employees were involved in the training for a new safety check system via satellite telephone.

This year, we will improve the prevention system, including training with Earthquake Early Warning. Because JFE Steel has the advantage of having manufacturing bases in both East and West Japan, we plan to stay in business even in the event of a disaster.



Firefighting training



Disaster Headquarters

JFE Steel's Activities to Prevent Global Warming

— Stepping into the first fiscal year of the Kyoto Protocol —

Message from Senior Management

JFE Steel Corporation
Senior Vice President

Takashi Sekita



We have engaged in a variety of activities to date in order to adhere to the Voluntary Action Program of the Japan Iron and Steel Federation (JISF). Entering the first fiscal year of the first commitment period of the Kyoto Protocol, we will use technological development and facility investments to focus to the greatest degree possible on this arena, in line with our reduction of energy consumption (and CO₂ emissions). Also, we will aim to fully accomplish the JISF Voluntary Action Program by using the Kyoto Mechanisms as a complementary measure.

Furthermore, we will do our part to assist in the reduction of CO₂ emissions through supplying high performance steel products such as high tensile steel sheets, which contribute to improvements in fuel consumption for automobiles. And on the international stage, by converting our steel production process to employ energy saving technology that meets the highest global standards, we will contribute to the reduction of CO₂ on a global scale.

Efforts of Iron Industry

(The JISF's Voluntary Action Program)

Energy consumption for the year ended March 2007 was down 5.2% from the year ended March 1991. As a supplementary measure, a contract has been made under the Kyoto Mechanisms for the purchase of 44 million tons by the total of the Japan Iron and Steel Federation (JISF).

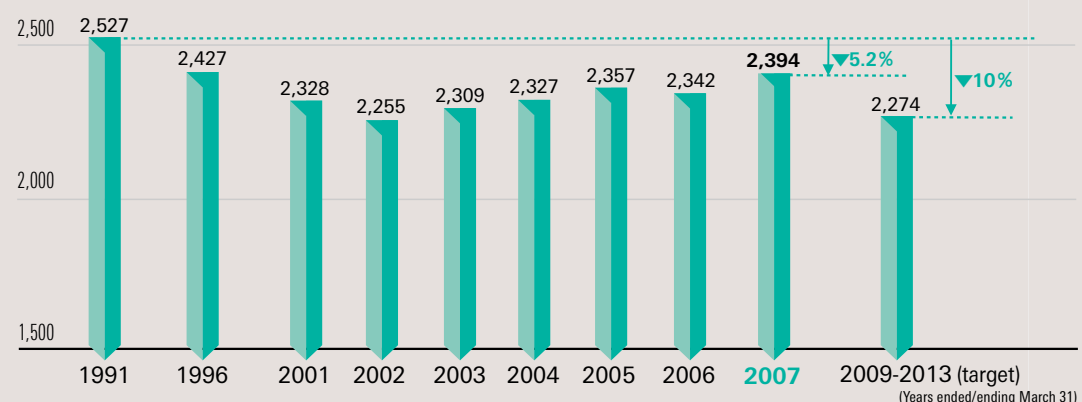
※The JISF's Voluntary Action Program

We plan a 10% reduction in average energy consumption (predicated on the production of 100 million tons of crude steel) over the year ending March 2009 to the year ending March 2013 compared to the year ended March 1991. And, as an additional task, we plan to establish a collection system for waste plastic, consuming 1 million tons.

Transition in Energy Consumption by the Iron and Steel Industry in Japan

Source: The Japan Iron and Steel Federation

(PJ)

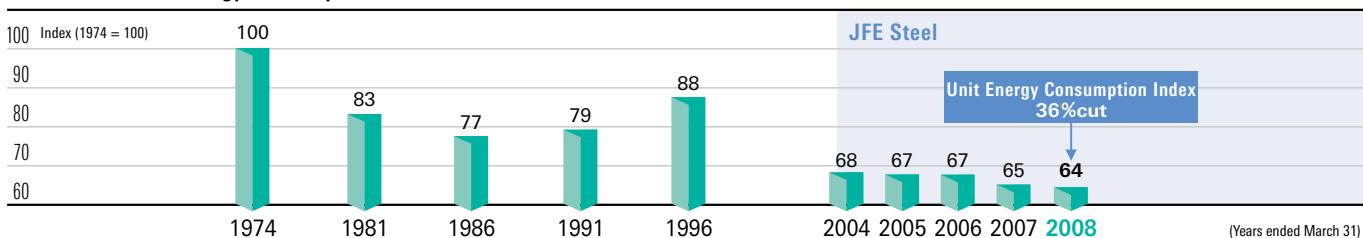


Energy Saving Activities

Since the 1970s, we have worked towards CO₂ reduction through technological development and the introduction of a variety of different kinds of equipment. For example, we use gases generated from various processes for fuel and electric power required in our steelworks and we also assiduously collect and efficiently use emission gasses and exhaust heat. Thanks to these efforts, we have achieved a 36% reduction in unit energy from 1973 to the present, achieving world-class efficiency in energy consumption.



Transition of Unit Energy Consumption Index at JFE Steel

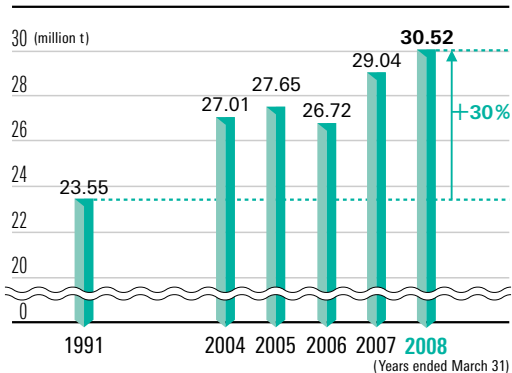


(Years ended March 31)	1974-1990	1991-2007	2008-
History of Energy Saving Activities	Introduction of energy saving equipment <ul style="list-style-type: none"> Reduction of reheating furnace fuel Large-scale waste heat recovery equipment BF top pressure recovery turbine (TRT), sintering waste heat recovery, etc. Process continuation Continuous casting line, continuous annealing line, etc. 	Further promotion of energy saving <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> New construction of shaft furnace (operation start scheduled in August 2008) Augmentation of CDQ (operation start scheduled in March 2009) Broader introduction of regenerative burner Augmentation of high efficiency oxygen plant BOF gas sensible heat recovery

Achievements in Crude Steel Production for the year ended March 2008

We have been increasing production in response to stronger demand for highly functional steel products from customers mainly in the automobile, electric appliance, and shipbuilding industries. As a result, compared to the year ended March 1991 level, crude steel production had increased 30% by the year ended March 2008.

Transition of Crude Steel Production at JFE Steel



Crude Steel Production in comparison to the year ended March 1991

30%
increase

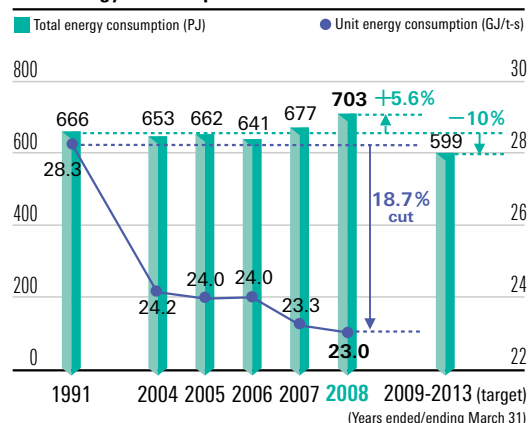


CDQ

Unit energy consumption
in comparison to the
year ended March
1991

18.7% cut

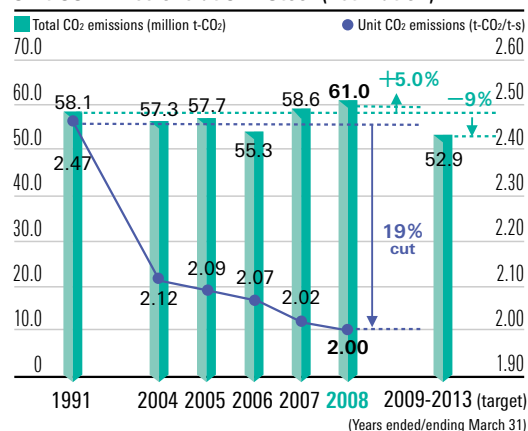
Transition of Total Energy Consumption and Unit Energy Consumption at JFE Steel



Unit CO₂ emissions
in comparison to the
year ended March
1991

19.0% cut

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



Achievements in Energy Consumption Amount and Unit Energy for the Year Ended March 2008

Though crude steel production increased 30% in the year ended March 2008 when compared to the year ended March 1991, we were able to keep the increase in energy consumption to 5.6%. Additional efforts to conserve energy through technological development and equipment investment resulted in dramatic streamlining, with an 18.7% reduction in the amount of energy consumption required to produce one ton of crude steel (unit energy).

Achievements in CO₂ Emissions and Unit Emissions for the Year Ended March 2008

Though crude steel production had increased 30% by the year ended March 2008 when compared to the year ended March 1991, we were able to keep the increase in CO₂ emissions to 5.0%. And, using the most sophisticated equipment and technology in the world resulted in a 19% reduction in the amount of CO₂ emissions involved in producing one ton of crude steel (unit CO₂ emissions).

※ The CO₂ emissions for each fiscal year presented here are different from the numerical values given in the business report for the previous fiscal year (year ended March 2008). The reasons for the change in values and the difference of this report from the CO₂ emission levels officially announced in the Law Concerning the Promotion of the Measures to Cope with Global Warming are presented on the website version of the Environmental Sustainability Report.
(<http://www.jfe-holdings.co.jp/environment/report.html>)

Future Plans to Reduce CO₂ Emissions

To date, we have consistently carried out improvements in the efficiency of operations and investment for energy conservation. In the current Medium-Term Business Plan (from the year ended March 2007 to the year ending March 2009) as well, we are promoting the investment of 100 billion yen for CO₂ reduction and energy conservation. We expect to achieve a CO₂ reduction of 4.2 million tons per year through this investment.

In addition to these improvements in operation and equipment efficiency, we are involved in other efforts to reduce CO₂ emissions in the future, such as the implementation of projects to develop innovative steel production methods.

We are also using the Kyoto Mechanisms as a

supplementary measure for achieving the Voluntary Action Program of the Japan Iron and Steel Federation (the entire group of companies in the JISF generated a total purchase agreement value of 44 million tons for a five year period from 2008 to 2012). Also, JFE Steel is implementing CDM*¹ for PSC*² (registration with the United Nations was completed in May 2007), and is currently constructing waste heat recovery equipment for sintering machines.

*¹ CDM (Clean Development Mechanism)

This is 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.

*² PSC (Philippine Sinter Corporation)

A project involving factories that manufacture sintered ore as raw material for steel production

CO₂ emissions
reduction through
investment

4.2
million tons
cut

CO₂ Reduction
through Technology



Reduction of
approx. 4.2 million tons per year

Improving efficiency of operation

- Installing a shaft furnace: restricts the amount of CO₂ emissions by liquefying 500 thousand tons of scrap per year (operation planned to start in August 2008)
- Lowering the reducing agent rate for blast furnaces: infusions of city gas, infusions of pulverized container and packaging plastic (capacity: 8,000 tons per year), etc.

Super streamlining equipment (energy conservation)

- CDQ: Power generation using sensible heat for coke ovens
Kurashiki CDQ: operation planned to start in March 2009
Fukuyama CDQ: operation planned to start in May 2010
- Regenerative burners: Burners with better thermal efficiency (16 additional burners)
- Oxygen plant upgrade: upgrading to state of the art, high efficiency plants
Chiba No.14: Operation started September 2007
Kurashiki No.12: Operation planned to start September 2009

Research and Development for the Future

- Projects to develop innovative steel production techniques
Technology to effectively utilize unused waste heat
Technology to control reactions in hydrogen reduction furnaces
- Technology for capture and storage of CO₂

Kyoto Mechanisms Considerations

Implementing CDM (Clean Development Mechanism)

- PSC (Philippine Sinter Corp.) waste heat recovery from sintering
Registration with the United Nations was completed in May 2007



We are currently constructing a shaft furnace (height from ground= 50 meters)



state of the art regenerative burner



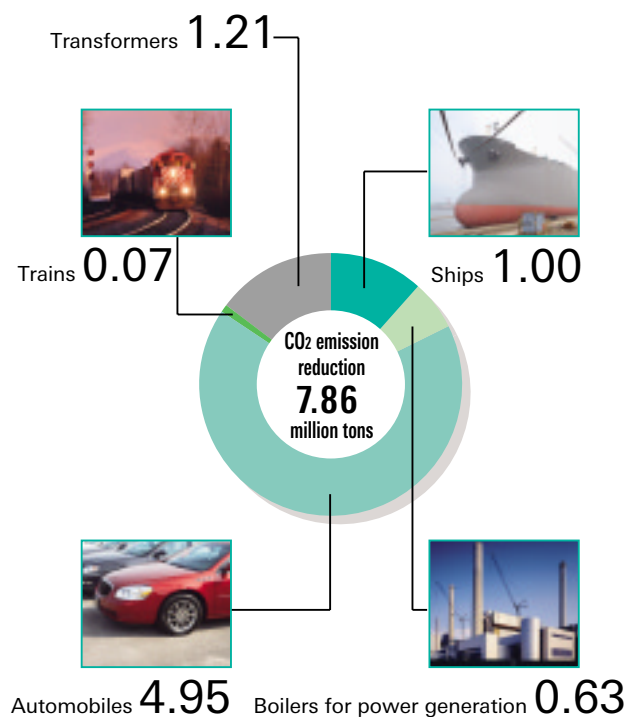
At PSC we are constructing equipment for waste heat recovery from sintering

Contributing to the Reduction of CO₂ through Our Products

CO₂ Emission Reduction Effect at the Stage of Using Steel Products (As of the year ended March 2007)

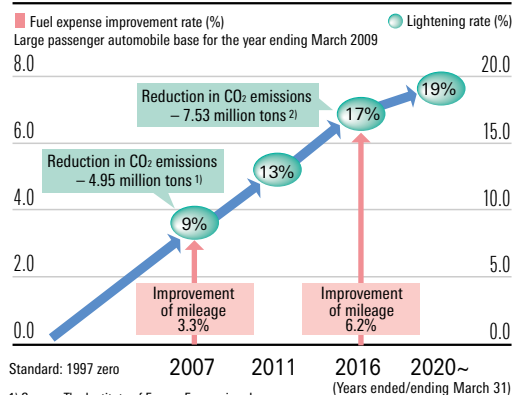
The JISF's reduction of CO₂ emissions

7.86
million tons



Source: The Japan Iron and Steel Federation

Automobile weight reduction and economical mileage with high tensile steel sheets (HITEN)



We actively promote the development of high performance steel that is lightweight, highly efficient, and long lived through superior technological prowess. For example, because automobiles and ships can be made stronger and lighter with high tensile steel sheets (HITEN), it becomes possible to increase safety and improve fuel efficiency. Also, using high performance electrical steel sheets enables a high level of efficiency in electrical machinery and transformers.

Thanks to this high performance steel, the calculated level of CO₂ emission reduction for the year ended March 2007 was 7.86 million tons for the entire group of companies in the JISF.



We produce high performance steel that is lightweight, highly efficient, and long lived.



Because high tensile steel sheets (HITEN) both strengthen and lighten automobiles, they are used in the manufacture of many different parts.



RORO vessel that enables efficient transportation of steel



An all-weather berth that allows cargo loading even in bad conditions

Energy Saving Measures at the Transportation Division

A modal shift is also taking place in the transportation of steel products, with a switch to the use of the more environmentally friendly shipping and rail transport. JFE Steel has achieved a modal shift of 94%.

The amount of CO₂ emissions for deliveries in the year ended March 2008 was approximately 450,000 tons. Corresponding with an increase in crude steel production, the emissions amount increased

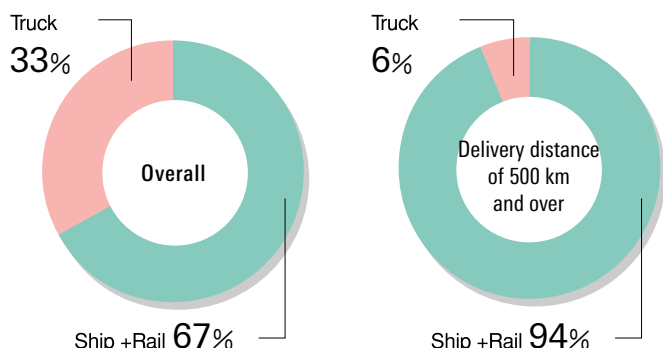
approximately 5% compared to the previous fiscal year (ended in March 2008). However, we are continuing streamlined usage of operating cars and ships.

Note: CO₂ emissions amount for the delivery division in year ended March 2007 – 427 thousand tons

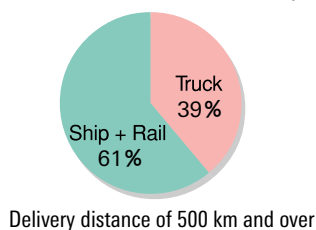
Modal Shift Rate

94%

JFE Steel modal shift rate



Modal shift rate for the entire industry total



Source : Ministry of Land, Infrastructure, Transport and Tourism

Minister of the Environment, Ichiro Kamoshita – inspection of East Japan Works in Chiba

On April 10, 2008, Minister of the Environment, Ichiro Kamoshita, visited the East Japan Works (Chiba). After viewing the Environmental Abnormality Prevention System at the Visitors' Center, he inspected the No.6 Blast Furnace and No.3 Hot Strip Mill.

After the tour was finished, Minister Kamoshita commented, "I experienced firsthand the wealth of technology that has been accumulated to support the industrial base of Japan. And I can see that efforts are being made with measures to counter global warming and a great deal of energy is being focused on CO₂ reduction measures. Please keep up the good work in the areas of innovation and technological advancement to prevent global warming."



International Contribution by Providing Environment /Energy Technologies

International Activities to Prevent Global Warming

Using energy conserving technology of the highest international standards, we are involved in the following international actions in the fight against global warming.

- Japan and China held the Japan China Steel Industries Conference on Exchange of Advanced Technologies on Environmental Preservation and Energy Saving. In December 2007, prominent experts on Japanese steel, including JFE Steel, conducted diagnoses regarding environmental preservation and energy saving at three steelworks in China.

- The APP ^{*1} steel task force (chaired in Japan) is promoting CO₂ reduction in seven countries through environmental preservation and energy conservation.

- IISI ^{*2} provides a framework for CO₂ reduction by introducing superior modern operational technology and energy conservation technology in steel industry centers across the world in the short term, and

promoting the development of innovative steel production technology in the long term.

Along with other major Japanese steel companies, JFE Steel is asserting to APP and IISI the effectiveness of the Sectoral Approach, a powerful strategy for reducing CO₂ emissions on a global scale from 2013 onwards (Post-Kyoto Protocol).

^{*1} APP: Asia Pacific Partnership (an Asian-Pacific partnership concerned with clean development and weather) was launched in July 2005 with the participation of Australia, China, India, the Republic of Korea, and the United States. (From October 2007, Canada, the seventh nation, will also take part.) The goal of APP is to take on issues such as climate fluctuation and energy security. It set eight target areas, including steel, and established a task force for each field, composed of members from the public and private sectors. It is currently conducting activities in each field.

^{*2} IISI: The International Iron & Steel Institute is composed of approximately 180 leading steel manufacturing corporations in territories including Japan, the USA, the EU, Russia, India, Brazil, and Korea. It covers almost all of the world's crude steel production needs. In their October 2007 board meeting, they decided to use the Sectoral Approach internationally.

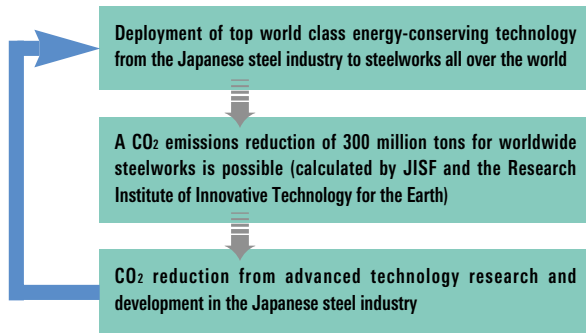


An energy conservation diagnosis
at Taiyuan Iron & Steel in China



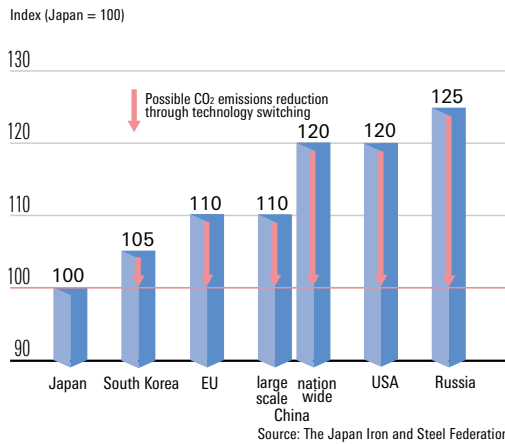
APP meeting in Busan, Korea

The Future of Reducing CO₂ through Steel and the Sectoral Approach (see Note below)



Note : The Sectoral Approach is a CO₂ reduction method that applies efficiency indices (example: unit CO₂ per ton of crude steel) across the entire world. The indices are categorized by each sector, such as steel or electrical power. Because the Approach is based on efficiency indices, it is easy for developing countries such as China and India to participate. It is a reliable method of reducing CO₂ backed by technology.

International Comparison of the Unit Energy Consumption of Integrated Steelworks

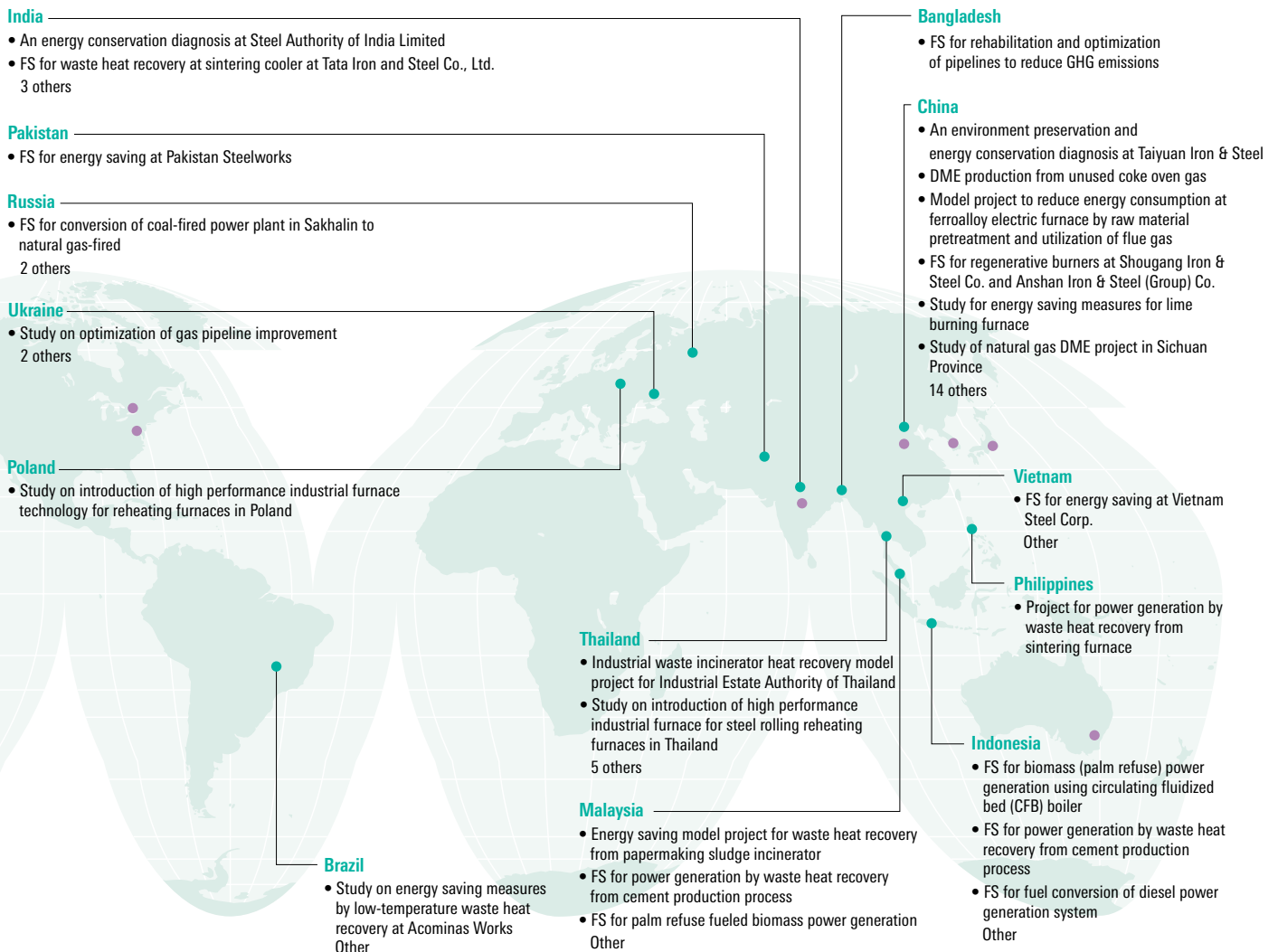


Projects outside Japan

Based on the environmental preservation, energy conservation, and CO₂ reduction technology achieved by JFE through ongoing technological development, we are conducting numerous projects to fight global

warming and make economical advancement compatible with environmental preservation in developing countries. Also, we are contributing to the international stage through technological conversions.

World Map of International Cooperation Projects by the JFE Group



JFE Engineering's Activities to Prevent Global Warming

Preventing Global Warming through Supplying Energy Conservation Technology

JFE Engineering has been contributing to global warming prevention with cutting-edge technologies to reduce CO₂ emissions, such as biomass technology, energy technology and CO₂ immobilization technology.

■ Clathrate Hydrate Slurry (CHS)

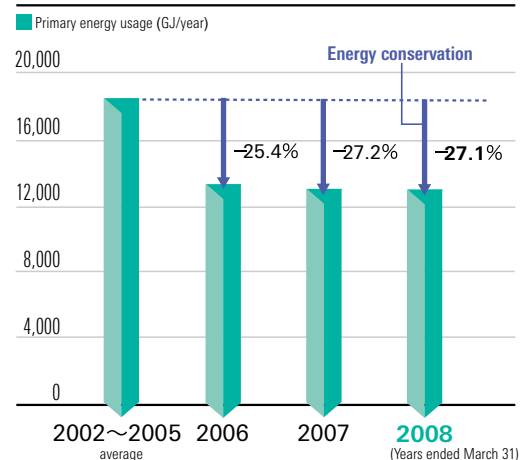
The Clathrate Hydrate Slurry (CHS) Heat Storage Air-conditioning System is a revolutionary technology that drastically cuts CO₂ emissions and conserves energy for central air conditioners in large scale office buildings and commercial facilities.

Clathrate Hydrate Slurry is a fluid that can store over twice the amount of cold energy as the water used in conventional central air conditioning systems. By efficiently storing a large quantity of cold energy during the night, when the air temperature falls, and using the stored cold energy during the daytime when the air temperature rises, CHS provides a higher level of energy conservation and a dramatic reduction of both CO₂ emissions and air conditioning operation costs. It

also contributes to peak cuts and load leveling for energy.

This technology was jointly developed by JFE Engineering and New Energy and Industrial Technology Development Organization (NEDO). As a form of energy conservation technology created in Japan, it was awarded the Prime Minister Prize in 2006 and the Nikkei Global Environment Technology Prize in 2007.

Usage in energy during the air conditioning period (from April to November)



In our company building, due to comprehensive energy conservation measures centering on the installation of the above mentioned CHS Heat Storage Air-conditioning System, we conserved 27% more energy than our average consumption from the year ended March 2002 to the year ended March 2005 compared with before the system was installed. The CHS Heat Storage Air-conditioning System contributed to about 40% of this achievement.

Energy conservation achievement
(Cooling period for our company building)

27%

(Compared to period prior to installation)



Kawasaki Azalea (Kawasaki City)



California Steel Industries, Inc. (California, USA)



Kuraray Manufacturing Technology Development Center (Kurashiki City)

■ Sewerage Sludge Digestive Gas Power

Generation

The high-efficiency engine of this system converts digestive gases, generated from sludge digestion tanks at sewerage treatment plants, into electricity and thermal energy.



■ Biomass Boiler System

This system uses a circulating fluidized bed boiler to efficiently generate power and supply heat from carbon-neutral biomass. The biomass boiler system has been adopted and used mainly by wood biomass power plants and paper-manufacturing companies and contributes to the reduction of CO₂ emissions.



Doing Our Part for Global Warming Prevention in the Office and at Construction Sites

JFE Engineering constructs environmental management systems in line with the function and activities of each production center as our part in the fight against global warming.

In the office area, we do what we can to promote energy conservation by using a highly efficient Clathrate Hydrate Slurry (CHS) Heat Storage Air-conditioning System, turning off lights during lunch breaks, and keeping unused computers turned off. In the year ended March 2008, we installed solar street lights at the Tsurumi Engineering and Manufacturing Center.

In the production divisions, we have employed measures such as saving electricity by reducing factory lighting on bright days, streamlining compressed air usage, and implementing energy conservation patrols.

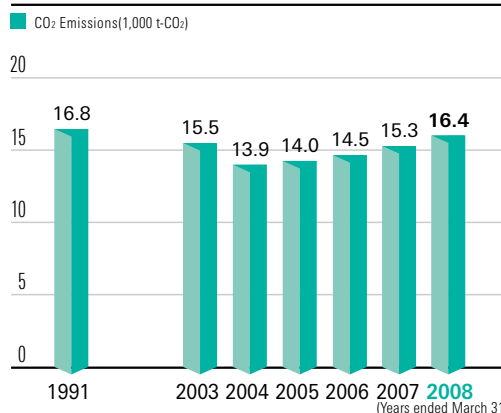


Solar street lights installed at the Tsurumi Engineering and Manufacturing Center

In the production divisions and office divisions together, the total amount of CO₂ emissions was 16.4 thousand tons for the year ended March 2008. This is a 2.4% decrease from the 16.8 thousand tons for the year ended March 1991.

From August 2004 onward, we have been striving to assess the amount of CO₂ emissions for local construction sites. In addition, from the year ended March 2007, we began trial implementation of other activities designed to reduce CO₂ output such as reducing occurrences of machine idling at construction sites.

Transition of CO₂ Emissions



CO₂ emissions in comparison to the year ended March 1991 levels down

2.4%

Recycling Technology Supporting a Sustainable Society

Recycling Fluorescent Tubes

JFE established factories in Yokohama City and Sendai City, and promotes recycling of fluorescent tubes in those two sites.

Fluorescent tubes contain a small amount of mercury for illumination. The fluorescent tube recycling practiced at JFE safely recovers this mercury and also recycles the glass and metallic cap portions as well.

We also pay particular care when carrying fluorescent tubes, using special cargo boxes and cardboard boxes. The fluorescent tubes are sorted by size and shape and fed into a processor. After completely preventing any external leakage of mercury vapor and

fluorescent powder, we take care of cap cutting, fluorescent powder collection, glass crushing, cleaning, and high-purity separation of mercury from collected fluorescent powder (99.9% mercury) in an entirely automatic process.

We developed and made viable the first automatic processor able to handle round tubes as well as straight tubes. The glass tube and cap portion are automatically sorted by material type after crushing and recycled into raw glass, raw metal, and raw plastic. Fluorescent powder, from which the mercury has been removed, is processed with a soil covering and used.

Amount of fluorescent tubes processed
(Total tube length is calculated in terms of straight 40W tubes)

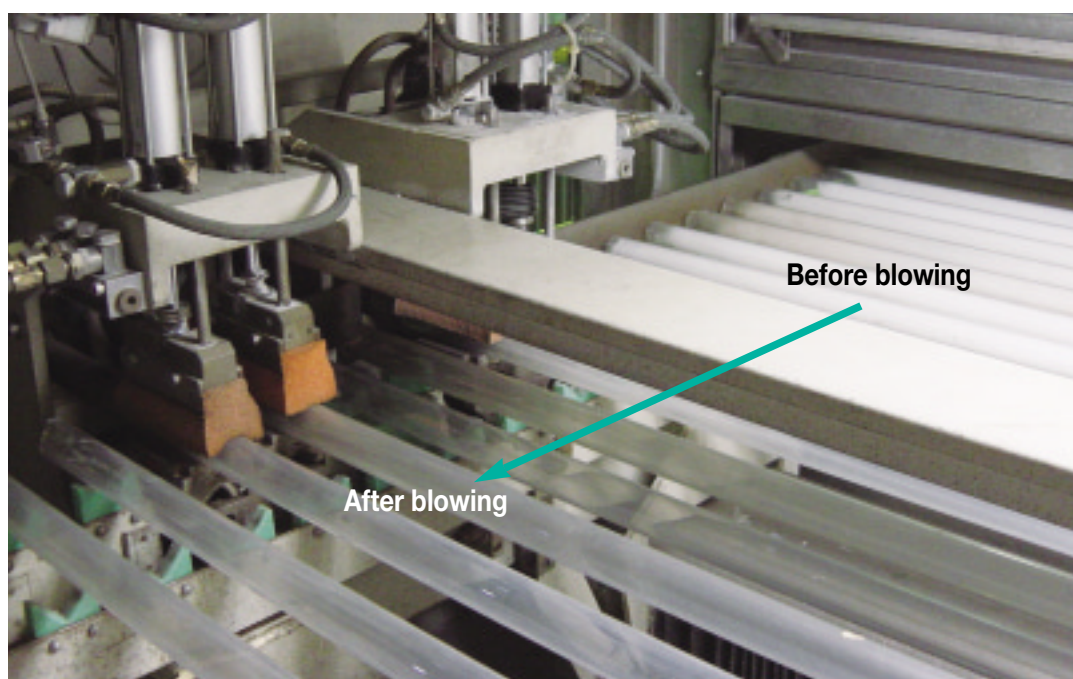
20
million tubes



Automatic cutting of straight tube cap portion



Automatic cutting of round tube cap portion



Air-blow processing

The mercury is sent to a specialist factory in Germany, refined further, and recycled into inorganic chemical products and the like.

The Sendai factory, which began operation in 2006,

boasts cutting-edge equipment. It sports fluorescent lights with unique formats such as liquid crystal back lights, which are becoming increasingly popular.



Collected glass



Collected metal

Recycling Different Kinds of Used Products

JFE is also involved in recycling various kinds of waste materials. We are playing our part in building a recycling-oriented society by recycling and effectively using a wide variety of used products. Our efforts include converting waste plastics into raw material for

blast furnaces through the sophisticated utilization of our steelworks infrastructure, recycling used home electric appliances and food waste, and manufacturing NF® boards from waste plastics.

JFE Group's Recycling Businesses

Toyama

- Rare metal recovery from spent catalyst

Kurashiki (Mizushima)

- THERMOSELECT: Waste gasifying & melting plant
- Waste wood carbonization plant

Fukuyama

- Waste plastic recycling plant
- RPF manufacturing
- RDF gasifying power generation

Hiroshima

- Packaging plastic wastes sorting & baling plant
- Joint venture with Mitsubishi Heavy Industries Group

Nagoya

- Packaging plastic wastes sorting & baling plant
- Joint venture with IHI Group

West Japan Works

East Japan Works

Sendai

- Sendai clean recycling facilities (fluorescent tube, woodchips, manufacturing pallets made of recycled plastic packaging)
- Packaging plastic wastes sorting & baling plant

Yokohama

- Fluorescent tube recycling
- Yokohama clean recycling facilities (waste plastics, woodchips, scrap metals)
- Packaging plastic wastes sorting & baling plant

Kawasaki (Ogishima)

- Waste plastic recycling plant

Kawasaki (Mizue)

- Waste plastic recycling plant
- NF® Board (concrete form panels) manufacturing made of recycled plastic
- PVC recycling
- Waste PET bottle recycling
- Used home electric appliance recycling
- Cans & PET bottles sorting & baling plant

Chiba

- THERMOSELECT: Waste gasifying & melting plant
- Food waste recycling

Amount processed of the 4 regulated types of discarded home electronic appliances

720
thousand products

Year ending March 2009: Container and packaging plastic (Other plastics) Amount successfully bid on

84
thousand tons

Operating Companies' Activities to Reduce Environmental Loads

JFE Urban Development Corporation's Activities to Reduce Environmental Loads

In residential projects, JFE Urban Development strives to reduce the burden on the environment through promoting energy-conserving specifications. One example is the adoption of PVC window frames, classified as energy-conserving materials. It also strives to ensure an Energy Efficiency Grade 3 or higher in the Japan Housing Performance Indication System.

In building management, JFE Urban Development works to restrict energy consumption through replacement and retrofitting using building equipment with superior energy conservation performance, such as the air-conditioning systems and lighting fixtures installed in THINK (Techno Hub Innovation Kawasaki) and Orto Yokohama.



"Grand Scena Hachimanyama" an example of a residence with PVC inner window frames installed

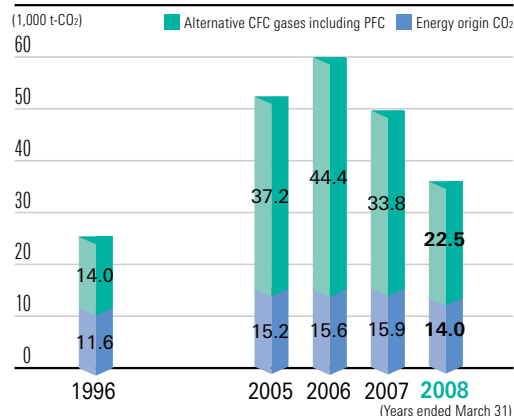
Energy saving rate

2.3%
Achieved

Kawasaki Microelectronics, Inc.'s Activities to Reduce Environmental Load

The Utsunomiya Works of Kawasaki Microelectronics promotes adoption of substitutes for C2F6 gas, which accounts for about 70% of total emissions of PFC gases (by CO₂ conversion), and began putting this to practical use in the year ended March 2008. However, the supply of substitute gas having currently stopped, total elimination of C2F6 gas during the year ending March 2009 has become difficult. At this time, we are constructing a new reduction plan with the target of making substitution a viable option during the first half of the year ending March 2010. Also, regarding CO₂ derived from energy sources, streamlining boiler running and refrigerant usage improved our energy conservation rate by a dramatic 2.3% and lowered the actual emissions quantity below the values for the previous fiscal year. In terms of waste processing, we reduced the amount of sludge generation. And in chemical substance control, we were able to eliminate yet another PRTR substance.

Transition of CO₂ Emissions



Environmental Accounting and Environmental Communication

Environmental Accounting

In the year ended March 2008, environment-related capital investment totaled ¥14.8 billion and expenses amounted to ¥83.4 billion. The ratio of environment-related capital investment against total capital

investment is approximately 10%. As a result of activities during the year ended March 2008, the effects of energy conservation were valued at an estimated ¥1.9 billion.

Environmental Protection Costs

(billions of yen)

Description			Amount of Investment	Amount of Expenses
Environmental investment & expenses related to JFE's own business	Management	Monitoring & measurement of environmental influence, EMS-related activities, environmental education & training, etc.	0.1	2.5
	Prevention of global warming	Energy conservation, effective use of energy, etc.	4.3	15.5
	Effective use of resources	Recirculation of industrial water, recycling of by-products & waste generated in-house, waste management, etc.	1.1	18.7
	Environmental protection	Prevention of air pollution, water pollution, soil contamination, noise, vibration, ground subsidence, etc.	9.3	38.1
	Miscellaneous	Fees/charges, etc.	—	1.6
Environmental investment & expenses related to customers and society	Research & development	Technology development for environment, energy, prevention of global warming	—	6.4
	Social activities	Protection of nature, support to forestation, information disclosure, exhibition, advertisement, etc.	—	0.6
Total			14.8	83.4

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

Period subject to accounting: April 1, 2007 to March 31, 2008

Scope of Compiled Data: 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 were 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.

Environmental investment

14.8
billion yen

Environmental cost

83.4
billion yen

Planting trees for "Forest Building in Keihin"

Along with ten companies in the nearby area, JFE Engineering Tsurumi Engineering and Manufacturing Center exchanged a pledge with Yokohama City to cooperate together for the goal of expanding greenery, and is taking part in the Keihin no Morizukuri (Forest Building in Keihin) in an effort to energize the ecology.

In conjunction with the 80th anniversary of the

Tsurumi ward system, in September of last year we held a tree planting festival in a green belt we own alongside Japan Railway's Tsurumi Line. Together with about 50 local residents, company employees and employees from other companies in the JFE Group participated as volunteers.



General Affairs Section of the JFE Engineering Tsurumi Engineering and Manufacturing Center – Facilities and Environment Group

We enjoy interaction with many people outside the company through environmental activities such as Keihin no Morizukuri (Forest Building in Keihin) and the Tonbo wa Dokomade Tobuka Forum (The How-Far-Will-a-Dragonfly-Fly? Forum). We want to expand these types of activities within our company and within the JFE Group as a whole, and link this to a greater feeling of satisfaction among employees as well.



The Tree Planting Festival held together with the Environmental Planning Bureau, City of Yokohama and the Tsurumi Ward Office

Priority Environmental Targets and Results

Priority Environmental Targets and Results

(Year ended / ending March 31)

	2008 Priority Environmental Targets	2008 Results	2009 Priority Environmental Targets	ER
JFE Steel	Promote measures to prevent global warming <ul style="list-style-type: none"> Promote measures to prevent global warming based on Japan Iron and Steel Federation's Voluntary Action Program (Achieve a 10% reduction in energy consumption amount during the period from the year ending March 2009 to the year ending March 2013, compared to the year ended March 1991 level, and another 1.5% reduction (additional target) through effective usage of waste plastics, etc.) 	<ul style="list-style-type: none"> Approximate 19% reduction of energy consumption in basic unit compared to year ended March 1991 CDM implementation (The Philippines: approved by the UN in May 2007) Commenced shaft furnace construction Approved CDQ addition plan Regenerative burner addition Oxygen plant efficiency upgrade 	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) 	3-10
	Promote byproduct recycling <ul style="list-style-type: none"> Continuously look at developing and applying technologies for recycling dust and slag Reduce landfill of slag by 20% 	<ul style="list-style-type: none"> Introduced and currently constructing dezincking and recycling equipment for dust containing zinc to the Fukuyama region Implementing modifications and equipment upgrades to Kurashiki region combustion incinerators and roasting furnaces for recycling oil sludge Oil sludge recycled: 5,000 tons (20% decrease in sludge landfill) 	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 Enact a group-wide waste material collection system Introduce electronic manifest group-wide Over 80% computerization 	23, 25-26
	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"> Complied with new laws and regulations Reinforcement and new installation of wastewater treatment equipment Promoted voluntary environmental conservation activities Reinforcement of surveillance sensors Continued independent control for VOC reduction 	Continuously strive to reduce environmental risk <ul style="list-style-type: none"> Comply with new regulations Promote voluntary environmental conservation activities 	21-24
JFE Engineering	Promote energy-saving activities in production divisions Tsurumi Engineering & Manufacturing Center: 11% reduction compared to the year ended March 1998 level Shimizu Works: 17% reduction compared to the year ended March 1998 level Tsu Works: 11% reduction compared to the year ended March 1998 level At Tsurumi, the target is calculated based on electricity usage per hour of operation At Shimizu and Tsu, the target is calculated based on electricity usage per unit volume of production	<ul style="list-style-type: none"> Tsurumi and Shimizu met targets, Tsu did not Tsurumi Engineering and Manufacturing Center: achieved a reduction of 11% compared to the year ended March 1998 Shimizu Works: achieved a reduction of 37% compared to the year ended March 1998 Tsu Works: generated an increase of 17% compared to the year ended March 1998 	Promote energy-saving activities in production divisions Tsurumi Engineering and Manufacturing Center: achieves a reduction of 12% compared to the year ended March 1998 Shimizu Works: achieves a reduction of 40% compared to the year ended March 1998 Tsu Works: limit the increase to a maximum of 15% compared to the year ended March 1998 *An increase compared to year ended March 1998 is anticipated for Tsu Works due to an increased usage of high current welding machinery	27
	Promote reduction of construction site waste <ul style="list-style-type: none"> Reduce final disposal rate to 35% or less in three years ended March 2008 Note: Final disposal rate = (total waste volume - (volume recycled + volume reduced)) / total waste volume	<ul style="list-style-type: none"> Achieved target with a final disposal rate of 19.0% for the year ended March 2008 (Generated 2,020 tons) 	Promote reduction of construction site waste <ul style="list-style-type: none"> A recycle rate of over 73% 	28
	Promote resource-saving and environmentally friendly office activities <ul style="list-style-type: none"> 6% increase in green procurement rate of office supplies compared to the year ended March 2005 level 	<ul style="list-style-type: none"> Tsurumi, Shimizu, and Tsu did not meet targets The following results were caused by an inability to purchase copy paper under green purchasing standards due to the incident concerning false labeling of recycled paper Tsurumi Engineering and Manufacturing Center: 4.0% increase Shimizu Works: 13.1% decrease Tsu Works: 4.1% decrease 	Promote resource-saving and environmentally friendly office activities <ul style="list-style-type: none"> Percentage of money used for green purchasing of office supplies Tsurumi Engineering and manufacturing Center: over 75% Shimizu Works: over 90% Tsu Works: over 93% 	28
Kawasaki Microelectronics	Promote measures to prevent global warming <ul style="list-style-type: none"> Energy saving rate: 1% or higher Complete alternatives for C2F6 and commence specific reduction measures aiming at 10% reduction of PFC*1 emissions compared to the year ended March 1996 level 	<ul style="list-style-type: none"> Achieved a 2.3% energy conservation rate Plans to completely substitute alternatives for C2F6 (PFC gas) and begin reduction of emissions were put on hold due to a suspension of the supply of alternative gases 	Promote measures to prevent global warming <ul style="list-style-type: none"> Achieve more than 1% energy saving rate Complete new C2F6 gas substitute experiments and will begin reductions in early 2009 	29
	Reduce consumption of chemical substances <ul style="list-style-type: none"> Reduce consumption of the notification substance 	<ul style="list-style-type: none"> Accomplished an additional decrease in the usage amount of our sole substance targeted for notification (hydrogen fluoride and its water-soluble salts) 	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 	29
	Reduce industrial waste <ul style="list-style-type: none"> Reduce wastewater treatment-origin dehydrated sludge by 10% 	<ul style="list-style-type: none"> Achieved a reduction of over 10% for dehydrated sludge 	Reduce industrial waste <ul style="list-style-type: none"> Achieve recycling rate of over 50% for the dehydrated sludge from wastewater treatment 	29

*1 PFC: Perfluorocarbon

Regarding the JFE Group's Social and Environmental Efforts



Yuko Sakita

Journalist and Environmental Counselor

It is now understood that the only solution to global warming is to drastically reduce global CO₂ emissions by the year 2050. In response, people worldwide are demanding the widespread establishment of carbon-reduction practices. I recently read JFE's 2008 Business Report to get a clearer idea of how the Company is reacting to such developments.

In the steel business-the Group's core activity-crude steel production has risen sharply due to increased demand sparked by economic growth throughout Asia. As a result, the Group's overall CO₂ emissions have increased, so I was particularly glad to see that the Message from the CEO clearly states JFE's strong recognition of its responsibilities in this area. While factors such as skyrocketing resource costs continue to exacerbate the situation, I am encouraged by the Company's strategies for sustainable growth, which were formed with economic, social and environmental considerations in mind.

JFE Steel's crude steel production has increased 30% since 1990, but CO₂ emissions have increased only 5%, the result of technological advances that have slashed emissions per unit-of-steel production by 19%. I expect this to contribute to the fight against global warming worldwide, along with other Clean Development Mechanism (CDM) efforts led by technological innovation.

In the shift toward a more environmentally friendly society, support for sustainable regional planning is rising. This includes measures such as locally generated energy through more effective use of resources, such as biomass, which currently are either underutilized or not used at all. It will also be important to encourage business development through regional partnerships.

Greater importance is also being placed on biological diversity. In addition to forest preservation and other large-scale efforts, I would also like to see corporations steadily expand their ground-level efforts in areas such as resource conservation and the greening of worksites. Such initiatives can help corporations strengthen the bonds of trust with their host communities.

I am impressed by the Group's clear stance on corporate social responsibility (CSR). Sparked by the wastewater problem at the East Japan Works Chiba Region, the Company has established committees to oversee compliance and environmental matters, and created an environmental management system encompassing all Group companies. The Company even released negative information about hydraulic testing for weld repaired pipes not having been carried out. I believe that the Group is not satisfied simply by having created an environmental management system, and will remain on alert to new challenges as they arise.



Professor

Yoshinao Kozuma

Faculty of Economics, Sophia University

Clearly, the most important CSR issue for the JFE Group is to reduce greenhouse gas emissions given the leading role played by a steel company in the group's operations. Although JFE Steel Corporation was identified as the top emitter of greenhouse gases in the fiscal year ended March 2007, it should be recognized that steel is an essential material even in a sustainable society, and that the steel industry is, by its nature, obliged to emit greenhouse gases on a massive scale. As such, this industry's efforts in the fight against global warming have been evaluated in terms of emission reduction rate or efficiency so far.

Thanks to JFE Steel's remarkably high technological standards, the company has achieved a 19% reduction in emissions per unit of crude steel production. This world-class achievement is the result of operational efficiency improvements and other energy-saving technologies, including the coke dry quenching (CDQ) method. As greater attention is paid to the Sectoral Approach, there are infinite possibilities to contribute to benefiting global society by taking advantage of such technologies.

The effects of JFE's environmental technologies are equally impressive. Efforts to create technologies aimed at energy and resource conservation, and a cleaner environment, have resulted in JFE443CT stainless steel, solar-cell wafers, ship ballast-water control systems, biomass boilers, and power-generation facilities using sludge and raw garbage. JFE has also created unique environmentally related technologies, such as insect-proof steel sheet that repels cockroaches, steel sheet free of hexavalent chromium for home appliances and, from JFE Life Corporation, hydroponic vegetable growing systems.

Finally, in the realm of socially related activities, the Senior Expert Program is contributing to a higher rate of reemployment, as well as garnering praise for helping to ease the effects of an aging society.

However, it is also true that social trust has been undermined by a series of legal violations relating to gas pipe bid-rigging and steel cartel activities. While JFE Holdings CEO Fumio Sudo stresses the importance of compliance in his corporate address almost every year, more must be done to ensure that the entire organization embraces this awareness, and to ensure that the values of the steel industry and those of society in general are in harmony. In the future, JFE would do well to further strengthen and broaden its in-house compliance education.

Financial Section

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For detailed financial information, please visit our website:

Financial information

<http://www.jfe-holdings.co.jp/en/investor/index.html>

FIVE-YEAR FINANCIAL SUMMARY

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

	Millions of yen				
	2008	2007	2006	2005	2004
Operating Results (For the Year)					
Net sales	¥3,539,802	¥3,260,447	¥3,098,374	¥2,803,699	¥2,473,725
Operating income	510,518	503,938	517,171	467,237	253,605
Ordinary income before interest and discount expenses ^{*1 *2}	520,996	528,919	533,114	482,451	246,668
Ordinary income ^{*1}	502,974	513,520	517,313	460,684	218,372
Net income	261,845	299,683	325,996	160,057	106,872
Cash Flows (For the Year)					
Cash flows from operating activities	438,257	417,645	401,973	462,535	357,077
Cash flows from investing activities	(297,209)	(292,750)	(116,224)	(109,518)	(135,068)
Free cash flows ^{*3}	141,048	124,895	285,749	353,017	222,009
Cash flows from financing activities	(125,473)	(113,304)	316,127	(369,873)	(229,258)
Financial Position (At the Year End)					
Total assets	4,170,080	3,872,142	3,630,322	3,656,389	3,724,441
Property, plant and equipment, net	1,843,483	1,816,514	1,827,342	1,846,109	2,013,638
Net assets ^{*4}	1,541,680	1,539,621	1,310,381	968,614	746,298
Debt outstanding	1,281,936	1,180,534	1,162,857	1,446,785	1,837,404
Capital Investment and Others					
Capital investment	223,644	193,596	178,358	157,235	160,826
Depreciation and amortization	220,459	176,794	175,057	179,770	185,684
R&D expenses	39,483	38,149	38,193	37,192	36,529
Crude steel output (thousand tons)	34,273	32,828	30,145	31,281	30,547
Employees	56,688	53,610	53,111	52,503	52,557
Ratio					
Return on sales (ROS) ^{*5}	14.2%	15.8%	16.7%	16.4%	8.8%
Return on assets (ROA) ^{*6}	13.0%	14.1%	14.6%	13.1%	6.5%
Return on equity (ROE) ^{*7}	17.5%	21.3%	28.6%	18.7%	15.9%
Equity capital ratio ^{*8}	35.9%	38.8%	36.1%	26.5%	20.0%
Debt-to-equity ratio ^{*9}	85.7% ^{*10}	78.6%	88.7%	149.4%	246.2%
	Yen				
Per Share Data					
Net income	¥ 450.58	¥ 513.58	¥ 555.02	¥ 273.97	¥ 185.84
Net assets ^{*4}	2,619.11	2,548.09	2,236.32	1,652.31	1,289.54
Cash dividends	120.00	120.00	100.00	45.00	30.00

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* x 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: 61.4% for March 2008

CONSOLIDATED BALANCE SHEETS

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Note 3)	¥ 47,366	¥ 45,170	\$ 472,761
Notes and accounts receivable	577,278	530,164	5,761,832
Allowance for doubtful accounts	(938)	(1,108)	(9,362)
Inventories	721,440	582,015	7,200,718
Deferred tax assets (Note 13)	51,536	44,907	514,382
Other current assets (Note 6)	105,955	65,769	1,057,540
TOTAL CURRENT ASSETS	1,502,638	1,266,919	14,997,884
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land (Note 7)	538,440	508,868	5,374,189
Buildings and structures	1,646,284	1,620,367	16,431,619
Machinery and equipment	5,162,849	5,064,684	51,530,581
Construction in progress	74,730	45,848	745,882
SUBTOTAL	7,422,304	7,239,769	74,082,283
Accumulated depreciation	(5,578,820)	(5,423,254)	(55,682,403)
PROPERTY, PLANT AND EQUIPMENT, NET	1,843,483	1,816,514	18,399,870
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates	178,249	175,136	1,779,109
Investments in securities (Notes 4 and 6)	415,286	443,171	4,144,984
Allowance for doubtful accounts	(9,309)	(10,874)	(92,913)
Deferred tax assets (Note 13)	47,741	12,763	476,504
Other assets (Note 6)	191,990	168,511	1,916,259
TOTAL INVESTMENTS AND OTHER ASSETS	823,958	788,707	8,223,954
TOTAL ASSETS	¥4,170,080	¥3,872,142	\$41,621,718

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
LIABILITIES			
CURRENT LIABILITIES:			
Short-term borrowings	¥ 11,718	¥ 21,393	\$ 116,957
Current portion of long-term debt (Note 5)	254,414	296,688	2,539,315
Commercial paper	30,978	62,937	309,192
Notes and accounts payable	472,963	435,220	4,720,660
Accrued income taxes	61,064	74,917	609,481
Other current liabilities	504,230	352,617	5,032,737
TOTAL CURRENT LIABILITIES	1,335,371	1,243,774	13,328,386
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	984,826	799,515	9,829,583
Accrued retirement benefits (Note 8)	152,278	152,303	1,519,892
Reserve for rebuilding furnaces	40,334	40,954	402,575
Deferred tax liabilities (Notes 7 and 13)	22,232	25,461	221,898
Allowance for losses on specific waste disposal business	51,043	–	509,462
Other long-term liabilities	42,312	70,511	422,317
TOTAL LONG-TERM LIABILITIES	1,293,028	1,088,746	12,905,759
TOTAL LIABILITIES	2,628,400	2,332,520	26,234,155
CONTINGENCIES (Note 9)			
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2008	147,143	142,334	1,468,639
611,663,662 shares as of March 31, 2007			
Capital surplus	657,597	652,820	6,563,499
Retained earnings	897,969	713,381	8,962,660
Treasury stock, at cost:			
43,056,685 shares as of March 31, 2008	(270,927)	(127,372)	(2,704,132)
22,558,219 shares as of March 31, 2007			
TOTAL SHAREHOLDERS' EQUITY	1,431,782	1,381,164	14,290,667
VALUATION AND TRANSLATION ADJUSTMENTS:			
Net unrealized gains and losses on securities	72,491	132,985	723,535
Net unrealized gains and losses on hedges	(469)	920	(4,681)
Revaluation reserve for land, net of tax (Note 7)	5,658	5,713	56,472
Translation adjustments	(12,949)	(19,689)	(129,244)
TOTAL VALUATION AND TRANSLATION ADJUSTMENTS	64,731	119,929	646,082
MINORITY INTERESTS (Note 7)	45,167	38,527	450,813
TOTAL NET ASSETS	1,541,680	1,539,621	15,387,563
TOTAL LIABILITIES AND NET ASSETS	¥4,170,080	¥3,872,142	\$41,621,718

CONSOLIDATED STATEMENTS OF INCOME

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
NET SALES	¥3,539,802	¥3,260,447	\$35,330,891
COST OF SALES	2,721,330	2,449,824	27,161,692
Gross profit	818,471	810,623	8,169,188
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	307,952	306,685	3,073,680
Operating income	510,518	503,938	5,095,498
NON-OPERATING INCOME (EXPENSES):			
Interest income	1,758	1,784	17,546
Interest expense	(18,022)	(15,398)	(179,878)
Dividends received	7,576	6,647	75,616
Equity in earnings of affiliates	25,752	26,563	257,031
Other, net	(24,609)	(10,015)	(245,623)
Ordinary income	502,974	513,520	5,020,201
EXTRAORDINARY PROFIT (LOSS) (Note 16)	(55,772)	4,879	(556,662)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	447,201	508,640	4,463,529
INCOME TAXES (Note 13):			
Current	176,934	191,293	1,765,984
Deferred	5,116	15,537	51,062
	182,051	206,830	1,817,057
INCOME BEFORE MINORITY INTERESTS	265,150	301,810	2,646,471
MINORITY INTERESTS	(3,305)	(2,127)	(32,987)
NET INCOME	¥ 261,845	¥ 299,683	\$ 2,613,484
	Yen		U.S. dollars (Note 1)
	2008	2007	2008
BASIC NET INCOME PER SHARE	¥ 450.58	¥ 513.58	\$ 4.49
DILUTED NET INCOME PER SHARE	423.04	492.27	4.22
CASH DIVIDENDS PER SHARE	120.00	120.00	1.19

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥447,201	¥508,640	\$4,463,529
Adjustments for:			
Depreciation and amortization	220,459	176,794	2,200,409
Decrease in reserves	(6,848)	(6,286)	(68,350)
Interest and dividend income	(9,335)	(8,432)	(93,172)
Interest expense	18,022	15,398	179,878
Profit on sales of property, plant and equipment	(2,310)	—	(23,056)
Profit on sales of shares of affiliate companies	(4,562)	—	(45,533)
Profit on sales of investment securities	—	(5,981)	—
Loss on disposal of property, plant and equipment, etc.	—	4,997	—
Loss on impairment of property, plant and equipment	2,200	—	21,958
Write-down of investments in securities	1,032	1,158	10,300
Loss on liquidation of affiliate companies	3,782	—	37,748
Provision of allowance for doubtful accounts	—	1,223	—
Provision for allowance for losses from lawsuits	4,248	—	42,399
Provision for allowance for losses on specific waste disposal business	51,382	—	512,845
Additional charges for early-retirement plan	—	1,112	—
Surcharge on violation of Antimonopoly Act	—	1,333	—
Cost of voluntary dismantlement of snow melting equipment	—	1,036	—
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(37,025)	(50,657)	(369,547)
Changes in inventories	(64,833)	(33,189)	(647,100)
Changes in notes and accounts payable	10,607	42,894	105,868
Other, net	(18,489)	(33,254)	(184,539)
Subtotal	615,531	616,788	6,143,637
Interest and dividend income received	17,926	16,533	178,920
Interest paid	(17,802)	(16,509)	(177,682)
Income taxes paid	(200,942)	(182,790)	(2,005,609)
Other, net	23,544	(16,375)	234,993
NET CASH PROVIDED BY OPERATING ACTIVITIES	438,257	417,645	4,374,258
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property, plant and equipment	(222,171)	(186,874)	(2,217,496)
Proceeds from sales of property, plant and equipment	9,829	14,217	98,103
Payments for purchases of investments in securities	(83,751)	(130,852)	(835,921)
Proceeds from sales of investments in securities	2,166	7,446	21,618
Purchases of shares of subsidiaries	(27,061)	—	(270,096)
Other, net	23,780	3,313	237,349
NET CASH USED IN INVESTING ACTIVITIES	(297,209)	(292,750)	(2,966,453)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings, net	(37,176)	6,293	(371,054)
Increase in long-term debt	533,516	331,881	5,325,042
Repayments of long-term debt	(383,580)	(302,167)	(3,828,525)
Payments for purchases of treasury stock	(144,034)	(123,392)	(1,437,608)
Payments for dividends by parent company	(75,632)	(87,494)	(754,885)
Other, net	(18,564)	(1,361)	(185,287)
NET CASH USED IN FINANCING ACTIVITIES	(125,473)	(113,304)	(1,252,350)
Effect of exchange rate change on cash and cash equivalents	(8,001)	98	(79,858)
Net increase in cash and cash equivalents	7,573	11,688	75,586
Cash and cash equivalents at beginning of the year	45,061	32,464	449,755
Increase (decrease) in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	(456)	907	(4,551)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 3)	¥ 52,178	¥ 45,061	\$ 520,790

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, 2008 and 2007

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	¥100,000	¥610,403	¥502,943	¥ (4,260)	¥1,209,087
Issuance of common stock	42,334	42,310			84,644
Cash dividends			(87,825)		(87,825)
Directors' and corporate auditors' bonuses from appropriation			(897)		(897)
Net income			299,683		299,683
Acquisition of treasury stock				(123,392)	(123,392)
Disposal of treasury stock		106		280	387
Increase by newly consolidated or deconsolidated subsidiaries			132		132
Decrease by newly consolidated or deconsolidated subsidiaries			(17)		(17)
Transfer from land revaluation account			(113)		(113)
Decrease due to assets revaluation of a subsidiary in Thailand			(523)		(523)
Net changes in items other than shareholders' equity					
Total changes in items during the year	42,334	42,417	210,437	(123,112)	172,076
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

Millions of yen

	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, 2006	¥117,602	¥ —	¥5,599	¥(21,907)	¥101,294	¥37,609	¥1,347,991
Issuance of common stock							84,644
Cash dividends							(87,825)
Directors' and corporate auditors' bonuses from appropriation							(897)
Net income							299,683
Acquisition of treasury stock							(123,392)
Disposal of treasury stock							387
Increase by newly consolidated or deconsolidated subsidiaries							132
Decrease by newly consolidated or deconsolidated subsidiaries							(17)
Transfer from land revaluation account							(113)
Decrease due to assets revaluation of a subsidiary in Thailand							(523)
Net changes in items other than shareholders' equity	15,383	920	113	2,217	18,635	917	19,552
Total changes in items during the year	15,383	920	113	2,217	18,635	917	191,629
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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2008 and 2007

	Thousands of US dollars				
	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2007	\$1,420,640	\$6,515,819	\$7,120,281	\$ (1,271,304)	\$13,785,447
Issuance of common stock	47,988	47,958			95,957
Cash dividends			(756,732)		(756,732)
Net income			2,613,484		2,613,484
Acquisition of treasury stock				(1,437,608)	(1,437,608)
Disposal of treasury stock		(289)		4,790	4,491
Increase by newly consolidated or deconsolidated subsidiaries			918		918
Decrease by newly consolidated or deconsolidated subsidiaries			(9,881)		(9,881)
Transfer from land revaluation account			628		628
Decrease due to assets revaluation of a subsidiary in Thailand			(6,028)		(6,028)
Net changes in items other than shareholders' equity					
Total changes in items during the year	47,988	47,669	1,842,369	(1,432,817)	505,210
Balance at March 31, 2008	\$1,468,639	\$6,563,499	\$8,962,660	\$ (2,704,132)	\$14,290,667

	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, 2007	\$1,327,328	\$ 9,182	\$ 57,021	\$(196,516)	\$1,197,015	\$384,539	\$15,367,012
Issuance of common stock							95,957
Cash dividends							(756,732)
Net income							2,613,484
Acquisition of treasury stock							(1,437,608)
Disposal of treasury stock							4,491
Increase by newly consolidated or deconsolidated subsidiaries							918
Decrease by newly consolidated or deconsolidated subsidiaries							(9,881)
Transfer from land revaluation account							628
Decrease due to assets revaluation of a subsidiary in Thailand							(6,028)
Net changes in items other than shareholders' equity	(603,782)	(13,873)	(538)	67,262	(550,933)	66,264	(484,659)
Total changes in items during the year	(603,782)	(13,873)	(538)	67,262	(550,933)	66,264	20,550
Balance at March 31, 2008	\$723,535	\$ (4,681)	\$56,472	\$(129,244)	\$646,082	\$450,813	\$15,387,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2008 and 2007

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, 2008, which was ¥100.19 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 207 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.

(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

Valued primarily at cost by the last in first out (LIFO) method.

(e) Depreciation Method for Property, Plant and Equipment

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 Corporation Tax Law. As a result, for the year ended March 31, 2008, depreciation expense increased by ¥4,441 million (\$44,325 thousand), operating income decreased by ¥4,381 million (\$43,726 thousand) and ordinary income and income before taxes and minority interests decreased by ¥4,392 million (\$43,836 thousand), 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 (\$334,294 thousand), operating income decreased by ¥32,743 million (\$326,809 thousand) and ordinary income and income before taxes and minority interests decreased by ¥32,925 million (\$328,625 thousand), respectively, compared to the previous methods.

(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).

Previously, 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 (\$21,748 thousand) and operating income, ordinary income and income before taxes and minority interests increased by ¥2,179 million (\$21,748 thousand), 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) 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.

(j) 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.

(k) 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.

(l) Leases

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

(m) Revenue Recognition for Long-Term**Construction-Type Contracts**

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

(n) Consolidated Tax Return

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

(o) Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net income used in the computation was ¥261,845 million (\$2,613,484 thousand) and ¥299,683 million, the average number of shares used in the computation was 581,134 thousand and 583,513 thousand for the years ended March 31, 2008 and 2007, respectively.

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

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and deposits	¥47,366	¥45,170	\$472,761
Time deposits with a maturity of more than three months	(188)	(108)	(1,876)
Deposits paid included in other current assets	5,000	—	49,905
	¥52,178	¥45,061	\$520,790

4. Securities

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2008 and 2007:

Marketable:

	Millions of yen					
	Held-to-maturity securities					
	2008			2007		
	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	¥213	¥215	¥1	¥223	¥224	¥0
Book value exceeding estimated fair value:						
Bonds	—	—	—	—	—	—
Total	¥213	¥215	¥1	¥223	¥224	¥0

	Millions of yen					
	Available-for-sale securities					
	2008			2007		
	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	¥128,083	¥275,493	¥147,409	¥181,408	¥397,298	¥215,889
Bonds	35	36	1	—	—	—
Subtotal	128,119	275,529	147,410	181,408	397,298	215,889
Cost exceeding book value:						
Equity securities	139,009	111,860	(27,149)	8,371	7,524	(847)
Bonds	—	—	—	45	45	(0)
Subtotal	139,009	111,860	(27,149)	8,416	7,569	(847)
Total	¥267,128	¥387,389	¥120,261	¥189,825	¥404,867	¥215,042

	Thousands of U.S. dollars		
	Held-to-maturity debt securities		
	2008		
	Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)
Book value lower than estimated fair value:			
Bonds	\$2,125	\$2,145	\$9
Book value exceeding estimated fair value:			
Bonds	—	—	—
Total	\$2,125	\$2,145	\$9

	Thousands of U.S. dollars		
	Available-for-sale securities		
	2008		
	Cost	Book value (Estimated fair value)	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$1,278,401	\$2,749,705	\$1,471,294
Bonds	349	359	9
Subtotal	1,278,760	2,750,064	1,471,304
Cost exceeding book value:			
Equity securities	1,387,453	1,116,478	(270,975)
Bonds	—	—	—
Subtotal	1,387,453	1,116,478	(270,975)
Total	\$2,666,214	\$3,866,543	\$1,200,329

Non-marketable: Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unlisted stocks, except OTC-traded stock	¥27,559	¥37,935	\$275,067
Unlisted bonds	111	131	1,107
Subscription certificates	11	12	109

5. Long-term Debt

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
0.74% yen bonds, due November 2007	¥ –	¥ 30,000	\$ –
0.89% yen bonds, due October 2008	20,000	20,000	199,620
0.75% yen bonds, due February 2009	20,000	20,000	199,620
1.00% yen bonds, due July 2010	20,000	20,000	199,620
0.64% yen bonds, due July 2010	30,000	30,000	299,431
0.98% yen bonds, due November 2010	20,000	20,000	199,620
1.44% yen bonds, due October 2011	20,000	20,000	199,620
Euro Yen Zero Coupon Guaranteed Convertible Bonds, due June 2009 (Note 1)	8,089	17,612	80,736
1.33% yen bonds, due April 2012	19,995	–	199,570
1.33% yen bonds, due November 2012	29,997	–	299,401
First issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement) (Note 2)	300,000	–	2,994,310
3.10% yen bonds (issued by JFE Steel), due May 2007	–	20,000	–
3.225% yen bonds (issued by JFE Steel), due June 2007	–	10,000	–
0.93% yen bonds (issued by JFE Steel), due August 2007	–	10,000	–
Yen bonds (issued by JFE Steel), due December 2007 (Note 3)	–	10,000	–
0.83% yen bonds (issued by JFE Steel), due February 2008	–	40,000	–
3.00% yen bonds (issued by JFE Steel), due February 2008	–	10,000	–
2.70% yen bonds (issued by JFE Steel), due April 2008	10,000	10,000	99,810
2.70% yen bonds (issued by JFE Steel), due April 2008	10,000	10,000	99,810
2.5% yen bonds (issued by JFE Steel), due June 2008	10,000	10,000	99,810
1.03% yen bonds (issued by JFE Steel), due June 2008	10,000	10,000	99,810
2.375% yen bonds (issued by JFE Steel), due November 2009	10,000	10,000	99,810
3.27% yen bonds (issued by JFE Steel), due November 2009	10,000	10,000	99,810
3.00% yen bonds (issued by JFE Steel), due January 2010	10,000	10,000	99,810
1.06% yen bonds (issued by JFE Steel), due March 2010	10,000	10,000	99,810
3.50% yen bonds (issued by JFE Steel), due May 2012	20,000	20,000	199,620
Loans, principally from banks and insurance companies, due 2007 – 2016	651,159	718,590	6,499,241
Less current portion	(254,414)	(296,688)	(2,539,315)
Total long-term debt	¥ 984,826	¥ 799,515	\$ 9,829,583

Notes:

1. Details of the Convertible Bond are as follows:

- 1) Type of shares
Common stock
- 2) Issue value of stock acquisition rights
Non-assessable
- 3) Conversion price
¥3,465 per Share
- 4) Total principal amount issued
¥102,500 million
- 5) Total principal amount issued of new shares by exercise of rights
¥94,200 million
- 6) The rate of granting of stock acquisition rights
100%
- 7) 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:

- 1) Type of shares
Common stock
 - 2) Issue value of stock acquisition rights
Non-assessable
 - 3) Conversion price
¥8,530 per Share
 - 4) Total principal amount issued
¥300,000 million
 - 5) Total principal amount issued of new shares by exercise of rights
No exercise
 - 6) The rate of granting of stock acquisition rights
100%
 - 7) 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, 2008 and 2007, pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Property, plant and equipment	¥109,344	¥46,027	\$ 1,091,366
Investments in securities	8,799	9,786	87,823
Others	77	478	768

In addition, the Company intends to set pledges for consolidated subsidiary shares (book value on the financial statements of individual consolidated subsidiaries of ¥325 million [\$3,243 thousand] and ¥2,335 million at March 31, 2008 and 2007), respectively.

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 ¥17,854 million (\$178,201 thousand) and ¥17,544 million on March 31, 2008 and 2007, 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, 2008 and 2007.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥ (492,722)	¥ (504,791)	\$ (4,917,876)
Fair value of plan assets	337,605	381,447	3,369,647
Unfunded retirement benefit obligation	(155,117)	(123,343)	(1,548,228)
Unrecognized net retirement benefit obligation at transition	896	1,043	8,943
Unrecognized actuarial losses	48,674	20,888	485,816
Unrecognized prior service cost (Note 1)	(1,037)	(10,014)	(10,350)
Net amount	(106,583)	(111,427)	(1,063,808)
Prepaid cost	45,694	40,876	456,073
Accrued retirement benefits	¥ (152,278)	¥ (152,303)	\$ (1,519,892)

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 1st, 2008, which incurred an increase in obligation for the prior service costs. As a result, the prior service cost incurred by this amendment of ¥6,127 million (\$61,153 thousand) was recorded as the retirement benefit obligation.

Retirement and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost (Note 1)	¥17,510	¥16,763	\$ 174,767
Interest cost	7,442	7,663	74,278
Expected return on plan assets	(6,457)	(6,187)	(64,447)
Amortization:			
Net retirement benefit obligation at transition	128	130	1,277
Actuarial losses	6,606	8,561	65,934
Prior service cost	(1,592)	(1,563)	(15,889)
Accrued retirement benefit cost	23,637	25,368	235,921
Other (Note 2)	84	93	838
Total	¥23,722	¥25,461	\$ 236,770

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, 2008 and 2007 is as follows:

	2008	2007
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 1.6%	Primarily 1.7%
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, 2008 and 2007, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Guarantees of debt	¥28,270	¥ 26,499	\$282,163
Trade notes discounted	215	840	2,145
Trade notes endorsed	79	181	788
Other contingencies	—	6	—

At March 31, 2008 and 2007, commitments outstanding for loan commitments were ¥500 million (\$4,990 thousand).

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 (\$73,949 thousand) and ¥7,769 million for the years ended March 31, 2008 and 2007, respectively.

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 years ended March 31, 2008 and 2007 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total
Acquisition costs	¥42,440	¥6,471	¥48,911	¥44,733	¥7,695	¥52,429	\$423,595	\$64,587	\$488,182
Accumulated depreciation	24,214	3,381	27,595	23,638	4,274	27,913	241,680	33,745	274,426
Accumulated impairment loss	167	—	167	—	—	—	1,666	—	1,666
Net book value	¥18,058	¥3,089	¥21,148	¥21,094	¥3,421	¥24,516	\$180,237	\$30,831	\$211,078

Future minimum lease payments under finance leases as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥ 7,031	¥ 7,429	\$ 70,176
Due after one year	14,283	17,037	142,559
Total	¥21,315	¥24,516	\$212,745

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 (\$73,949 thousand) and ¥7,769 million for the years ended March 31, 2008 and 2007, respectively.

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, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars
	2008		2007		2008
	Contracted amount	Recognized loss	Contracted amount	Recognized loss	Recognized loss
Interest rate swap agreements:					
To receive floating and pay fixed rates	¥8,010	¥ (455)	¥8,900	¥ (619)	\$ (4,541)
Total		¥ (455)		¥ (619)	\$ (4,541)

12. Research and Development Expenses

Research and development expenses charged to income were ¥39,483 million (\$394,081 thousand) and ¥38,149 million for the years ended March 31, 2008 and 2007, 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, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued retirement benefits	¥ 41,580	¥ 42,743	\$ 415,011
Loss on impairment of property, plant and equipment, etc.	11,867	25,340	118,444
Accrued expenses	22,487	23,089	224,443
Deferred tax assets recorded at subsidiaries in the United States ..	—	22,554	—
Reserve for rebuilding furnaces	15,046	15,467	150,174
Loss carry-forwards	22,603	16,900	225,601
Allowance for losses on specific waste disposal business	20,928	—	208,883
Elimination of unrealized profits	15,291	—	152,620
Others	56,343	58,847	562,361
Total deferred tax assets	206,148	204,943	2,057,570
Valuation allowance	(50,188)	(36,462)	(500,928)
Valuation allowance at subsidiaries in the United States ..	—	(21,845)	—
Deferred tax assets net of valuation allowances	155,960	146,635	1,556,642
Deferred tax liabilities:			
Unrealized gain on securities	(46,395)	(84,744)	(463,070)
Others	(18,087)	(15,190)	(180,526)
Total deferred tax liabilities	(64,483)	(99,934)	(643,607)
Net deferred tax assets	¥ 91,477	¥ 46,700	\$ 913,035

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, 2008 and 2007 was as follows:

(1) Industry Segments

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Sales:			
Steel			
Sales to customers	¥3,178,016	¥2,903,196	\$31,719,892
Inter-segment	25,325	21,914	252,769
Total sales	¥3,203,342	¥2,925,110	\$31,972,671
Engineering			
Sales to customers	¥ 294,325	¥ 279,991	\$ 2,937,668
Inter-segment	19,921	12,171	198,832
Total sales	¥ 314,247	¥ 292,163	\$ 3,136,510
Shipbuilding			
Sales to customers	—	—	—
Inter-segment	—	—	—
Total sales	—	—	—
Urban Development			
Sales to customers	¥ 24,514	¥ 32,921	\$ 244,675
Inter-segment	1,059	1,400	10,569
Total sales	¥ 25,573	¥ 34,322	\$ 255,245
LSI			
Sales to customers	¥ 42,946	¥ 44,338	\$ 428,645
Inter-segment	—	—	—
Total sales	¥ 42,946	¥ 44,338	\$ 428,645
Elimination / Corporate			
Sales to customers	—	—	—
Inter-segment	(46,306)	(35,487)	(462,181)
Total sales	¥ (46,306)	¥ (35,487)	\$ (462,181)
Consolidated total			
Sales to customers	¥3,539,802	¥3,260,447	\$35,330,891
Inter-segment	—	—	—
Total sales	¥3,539,802	¥3,260,447	\$35,330,891

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Operating Expenses:			
Steel	¥2,681,612	¥2,425,199	\$26,765,265
Engineering	331,372	294,137	3,307,435
Shipbuilding	—	—	—
Urban Development	23,775	30,379	237,299
LSI	41,017	43,490	409,392
Elimination / Corporate	(48,494)	(36,697)	(484,020)
Consolidated total	¥3,029,283	¥2,756,509	\$30,235,382

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Operating Income:			
Steel	¥521,730	¥499,911	\$5,207,405
Engineering	(17,125)	(1,974)	(170,925)
Shipbuilding	—	—	—
Urban Development	1,798	3,942	17,945
LSI	1,929	847	19,253
Elimination / Corporate	2,187	1,210	21,828
Consolidated total	¥510,518	¥503,938	\$5,095,498

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Ordinary Income:			
Steel	¥508,900	¥503,945	\$5,079,349
Engineering	(11,022)	5,882	(110,010)
Shipbuilding	—	—	—
Urban Development	1,478	3,655	14,751
LSI	1,137	514	11,348
Elimination / Corporate	2,480	(476)	24,752
Consolidated total	¥502,974	¥513,520	\$5,020,201

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Steel	¥3,641,232	¥3,562,734	\$36,343,267
Engineering	369,257	322,868	3,685,567
Shipbuilding	222,762	—	2,223,395
Urban Development	46,071	39,033	459,836
LSI	33,470	35,289	334,065
Elimination / Corporate	(142,714)	(87,784)	(1,424,433)
Consolidated total	¥4,170,080	¥ 3,872,142	\$41,621,718

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Depreciation and amortization:			
Steel	¥209,840	¥166,577	\$2,094,420
Engineering	5,594	5,338	55,833
Shipbuilding	—	—	—
Urban Development	449	409	4,481
LSI	4,433	4,420	44,245
Elimination / Corporate	141	49	1,407
Consolidated total	¥220,459	¥176,794	\$2,200,409

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Impairment loss:			
Steel	¥1,759	—	\$17,556
Engineering	440	—	4,391
Shipbuilding	—	—	—
Urban Development	—	—	—
LSI	—	—	—
Elimination / Corporate	—	—	—
Consolidated total	¥ 2,200	—	\$21,958

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Capital expenditures:			
Steel	¥215,108	¥185,138	\$2,147,000
Engineering	4,062	3,659	40,542
Shipbuilding	—	—	—
Urban Development	959	654	9,571
LSI	2,468	3,989	24,633
Elimination / Corporate	1,045	154	10,430
Consolidated total	¥223,644	¥193,596	\$2,232,198

(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, 2008 and 2007 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, 2008 and 2007 amounted to ¥1,170,688 million (\$11,684,679 thousand) and ¥1,047,852 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 (\$21,958 thousand), including ¥1,076 million for land (\$10,739 thousand), ¥446 million (\$4,451 thousand) for machinery and equipment, and ¥676 million (\$6,747 thousand) 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.

16. Extraordinary Profit (Loss)

For the years ended March 31, 2008 and 2007, extraordinary profit (loss) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Profit on sales of property, plant and equipment	¥2,310	¥ -	\$23,056
Profit on sales of investments in securities	-	5,981	-
Profit on sales of shares of affiliate companies	4,562	-	45,533
Loss on sales of property, plant and equipment, etc.	-	(4,997)	-
Loss on impairment of property, plant and equipment	(2,200)	-	(21,958)
Write-down of investments in securities	(1,032)	(1,158)	(10,300)
Loss on liquidation of affiliate companies	(3,782)	-	(37,748)
Provision of allowance for bad debts ..	-	(1,223)	-
Provision of allowance for losses from lawsuits	(4,248)	-	(42,399)
Provision of allowance for losses on specific waste disposal business ..	(51,382)	-	(512,845)
Additional charges for early-retirement plan	-	(1,112)	-
Penalties	-	(1,333)	-
Cost of voluntary dismantlement of snow melting equipment	-	(1,036)	-

17. Supplemental Cash Flow Information

For the years ended March 31, 2007 and 2008, increases in common stock, capital surplus, and a decrease in premium arising from conversion of convertible bonds amounted to ¥4,808 million (\$47,988 thousand) and ¥42,334 million, ¥4,805 million (\$47,958 thousand) and ¥42,310 million and ¥234 million (\$2,335 thousand) and ¥2,064 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;

	2008	
	Millions of yen	Thousands of U.S. dollars
Current Assets	¥143,050	\$1,427,787
Non-current Assets	79,712	795,608
Total Assets	¥222,762	\$2,223,395
Current Liabilities	¥159,264	\$1,589,619
Long-term Liabilities	14,649	146,212
Total Liabilities	¥173,913	\$1,735,831

18. Subsequent Event

The board of directors meeting held on February 28, 2008 has resolved to acquire the Company's treasury stock of no more than 35 million shares, and no more than ¥119,993 million (\$1,197,654 thousand) during the period from March 18, 2008 to September 30, 2008 in order to make timely capital policy available responding to business environment. As of May 1, 2008, based on contract basis, the Company has purchased the total number of 23,839,200 shares amounting to ¥119,993 million in the market and has completed the planned purchase. The total number of shares which the Company has purchased by the end of March 2008 and after March 2008 are 4,878,600 shares and 18,960,600 shares which amounted to ¥21,261 million (\$212,206 thousand) and ¥98,731 million (\$985,437 thousand), respectively.

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 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 26, 2008



MAJOR CONSOLIDATED SUBSIDIARIES AND EQUITY METHOD AFFILIATES

(As of March 31,2008)

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.	4,000	Resources/Raw Materials	98.0
JFE Precision Corporation	3,400	Resources/Raw Materials	100.0
JFE Container Co., Ltd.	2,365	Steel Product Processing/Processed products	54.3
Nippon Chuza 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
JFE Kohnan Steel Center Co., Ltd.	250	Steel Product Processing/Processed products	89.2
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	38.4
Guangzhou JFE Steel Sheet Company Ltd.	RMB625 million	Steel Product	51.0
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	88.9
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
Kawatetsu Bridge and Steel Structure Corporation	1,500	Steel Structures/Temporary Construction	100.0
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 174 consolidated subsidiaries and 29 equity method affiliates

(As of March 31, 2008)

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: 336,499

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

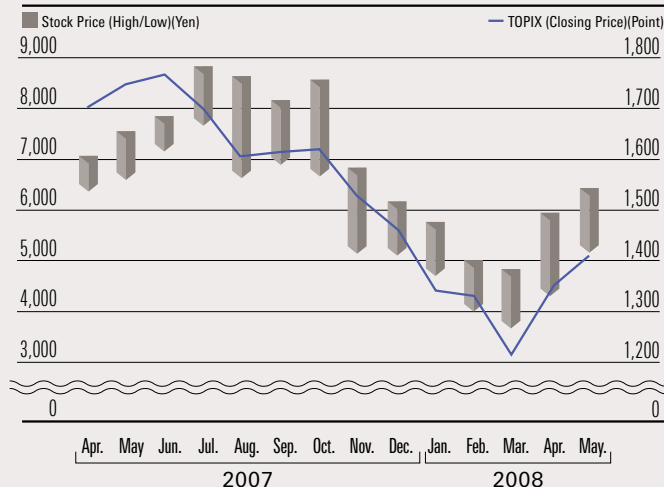
Business Office of Transfer Agent: Stock Transfer Agency Dept. of Mizuho Trust & Banking Co., Ltd.
 17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722
 Tel: +81-120-288-324 (toll-free)

Principal Shareholders

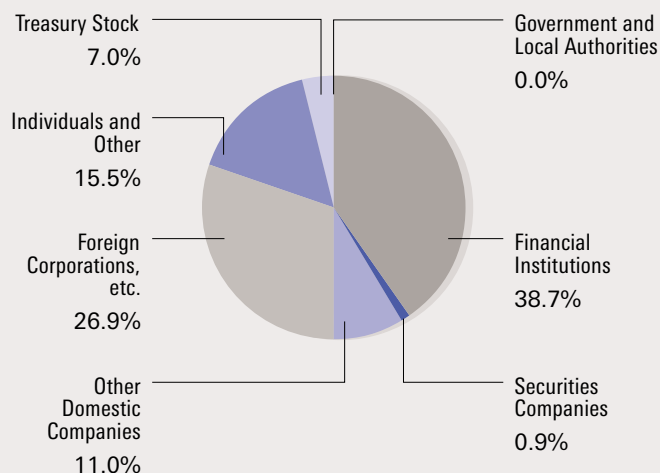
Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	46,041	8.1
Japan Trustee Services Bank, Ltd. (trust account)	31,063	5.4
Nippon Life Insurance Company	22,139	3.9
The Dai-ichi Mutual Life Insurance Company	15,985	2.8
State Street Bank & Trust Company	14,406	2.5
Mizuho Corporate Bank, Ltd.	13,351	2.3
Tokio Marine and Nichido Fire Insurance Co., Ltd	9,975	1.7
Sompo Japan Insurance Inc.	8,419	1.5
State Street Bank & Trust Company 505103	8,402	1.5
Meiji Yasuda Life Insurance Company	7,163	1.3

*In addition to the above, we retain 43,051 thousand treasury shares.
 The treasury shares are not included in the investment ratio calculation.
 Based on a resolution made at a board of directors meeting on February 28, 2008, we will acquire 18,960 thousand treasury shares from April 1 of that year.*

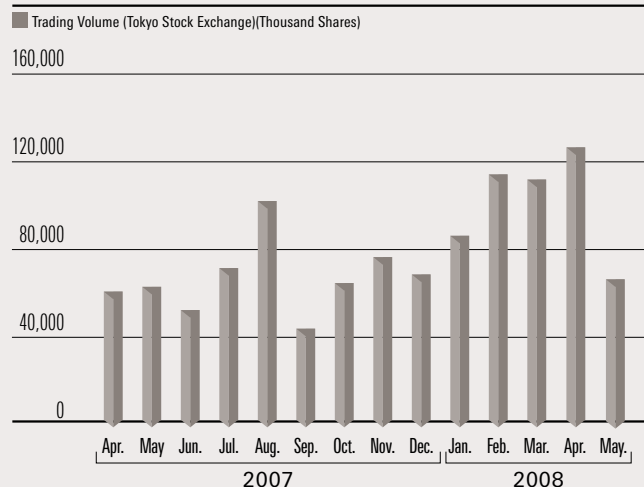
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Composition of Shareholders



Trends in Trading Volume



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Editorial Policy

This Business Report aims to report various activities of the JFE Group in an easily understandable manner to its stakeholders (parties who affect, or can be affected by, the Company's actions). Starting with the 2006 edition, the Business Report has comprised the conventional Annual Report and the Environmental Sustainability Report.

The Special Feature section elaborates on the growth strategy and overseas expansion of JFE under the main theme of "Aspiring to Global Excellence". The following sections describe the Group's main activities and performance data from three points of view: the economic, social and environmental.

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

This report covers JFE Holdings, Inc., 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 2003 and before were 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 ending March 31, 2008 (from April 1, 2007 to March 31, 2008).

Some sections include activities in the year ending March 2009.

Scheduled Publication Date of the Next Report

June 2009

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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