



Fumio Sudo
President & CEO
JFE Holdings, Inc.

To All Stakeholders

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

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

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

Rapid Response to Dramatically Changing Business Environment

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

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

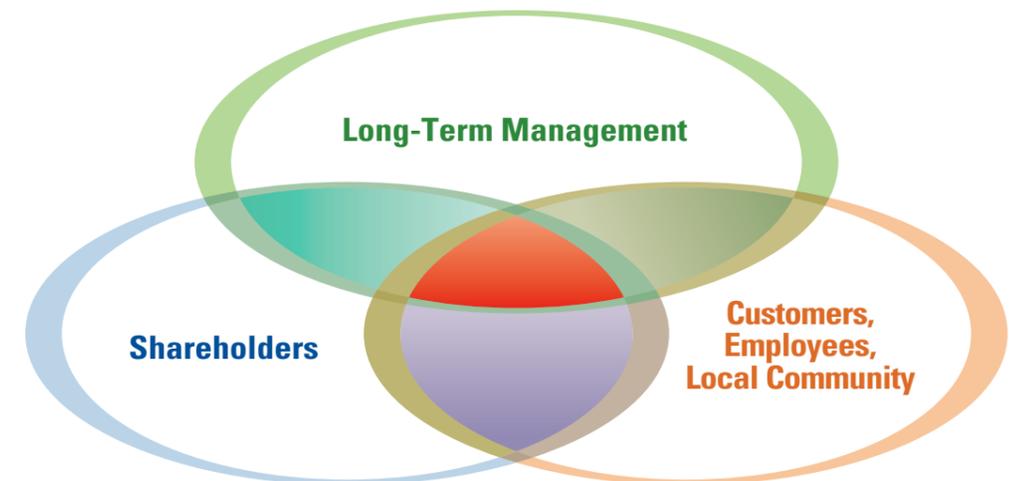
The JFE Group responded to the first signs of the re-

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

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

Three Overlapping Circles

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



Medium-to Long-Term Growth Strategy on Track

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

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

Corporate Values
A Challenging Spirit, Flexibility, Sincerity

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

1. Developing Innovative Technology that Anticipates Future Needs

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

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

2. Building Foundation for Growth, Moving Forward with Confidence

(1) JFE Steel Corporation

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

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

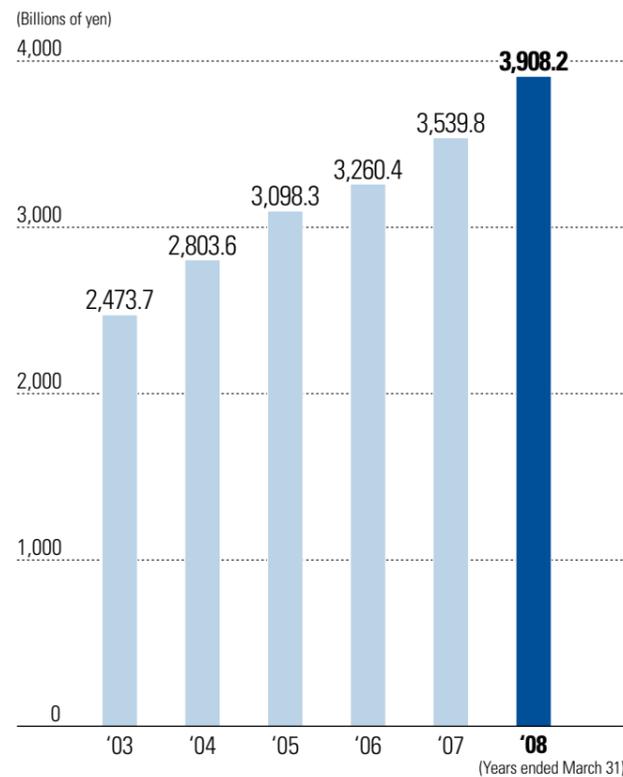
human resources equal to the challenge of globalization. Furthermore, JFE Steel will deploy its best technologies across all operations to ensure continuous improvement of its manufacturing capabilities.

(2) JFE Engineering Corporation

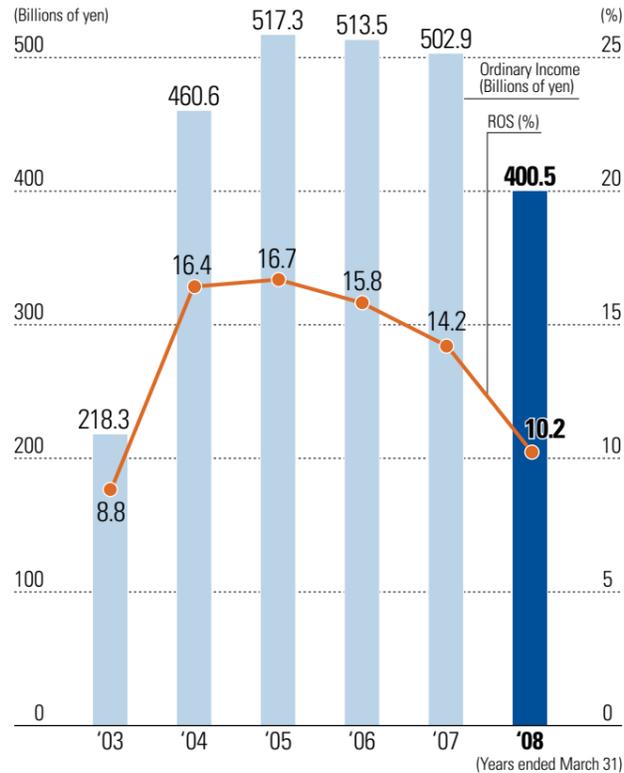
JFE Engineering is expanding its business activities by significantly strengthening the competitiveness of its mainstay products, which include pipelines, urban environmental plants and bridges. The company is also responding to rising global demand in the environmental and energy sectors to achieve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

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

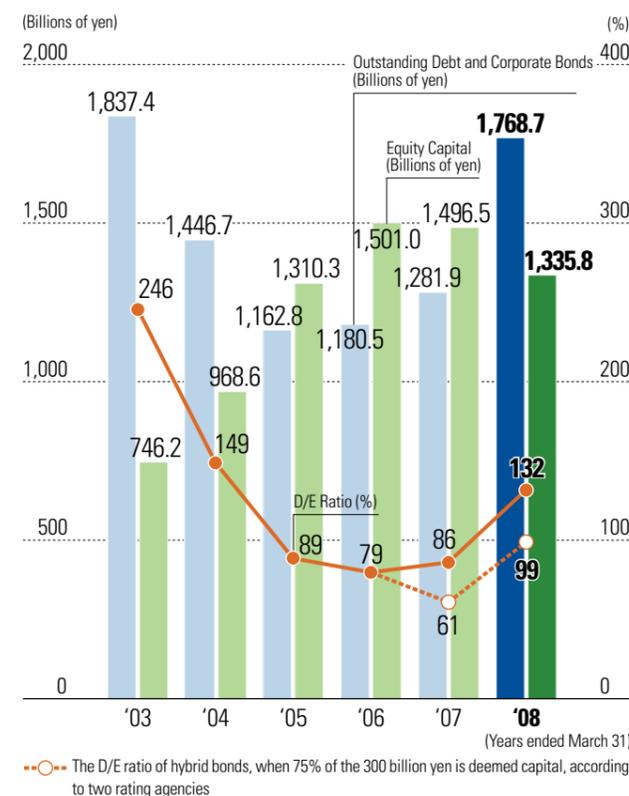
Net Sales



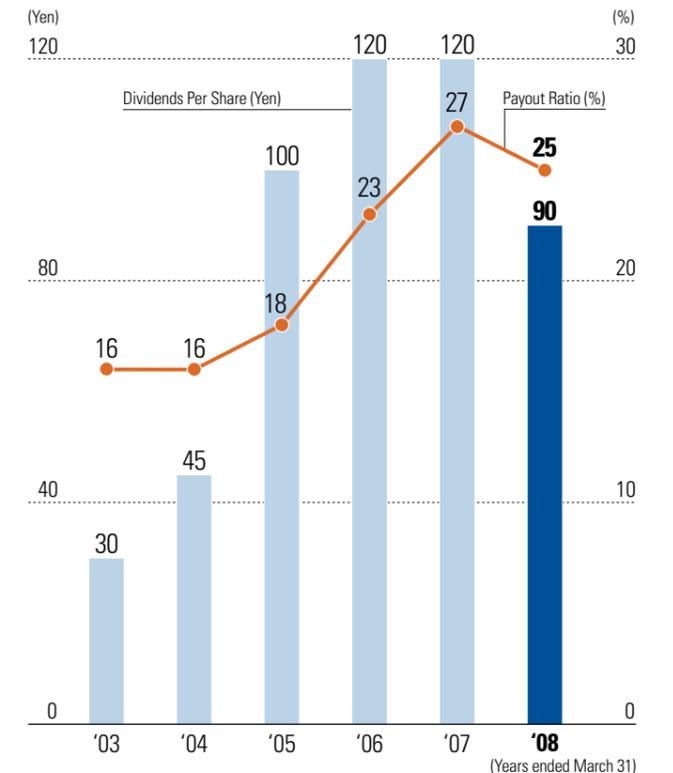
Ordinary Income/Return on Sales (ROS)



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



Dividends Per Share and Payout Ratio





(3) Universal Shipbuilding Corporation

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

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

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

3. Review on Group Management System

We are reviewing our group management system in several areas.

(1) JFE Urban Development Corporation

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

(2) Kawasaki Microelectronics Inc.

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

(3) Affiliates under Operating Companies

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

4. CSR Promotion and Corporate Governance

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

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

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

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

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

5. Improvement in Financial Condition and Returns to Shareholders

(1) Improving Financial Condition

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

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

(2) Returning Profits to Shareholders

One goal of our Second Medium-Term Business Plan was

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

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

Opportunity in Times of Crisis

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

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

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

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

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