



Net sales
2,281.4
billion yen

Ordinary income
32.3
billion yen



Eiji Hayashida
President and CEO

Operating Results for FY2009

In FY2009, despite a second-half recovery in demand for steel, the impact of falling domestic and overseas demand in the first half could not be completely offset. As a result, consolidated crude steel output by year-end was 28.35 million tons, less than the previous year.

Lower sales volumes and prices resulted in a consolidated net sales decrease from a year earlier, to 2,281.4 billion yen.

In spite of lower raw material prices and intensive profitability improvement efforts, decreased sales volumes and sales prices held consolidated ordinary income to 32.3 billion yen, a year-on-year decrease.

Consolidated Operating Results (Billions of yen)		
	FY2008	FY2009
Net sales	3,423.3	2,281.4
Operating income	425.0	46.8
Ordinary income	412.5	32.3
ROS	12.0%	1.4%

Business Environment

After a temporary decline beginning with the financial crisis that struck in the fall of 2008, global steel demand began to recover quickly in the second half of 2009, partly as a result of economic stimulus measures in various countries. In 2010, demand is expected to rise beyond the record set in 2007, with emerging Asian economies accounting for much of the significant increase in overseas demand.

Japanese steel demand is recovering with the help of governmental measures, but, given factors such as a declining birthrate, an aging society, and a major reduction in public infrastructure investment, significant growth cannot

be expected over the medium to long term.

On the raw material front, there are concerns that the small number of suppliers of iron ore and coking coal will result in increasingly oligopolistic conditions and persistently high prices along with frequent price fluctuations due to shorter contract periods.

Against this backdrop, steel makers in the world are increasing their production capacity to meet anticipated higher demand in the future. New manufacturing facilities are being built one after another, mainly in Asia, intensifying competition on a global scale.

Consolidated crude steel production
28.35
million tons

Global Apparent Steel Use

Source: World Steel Association

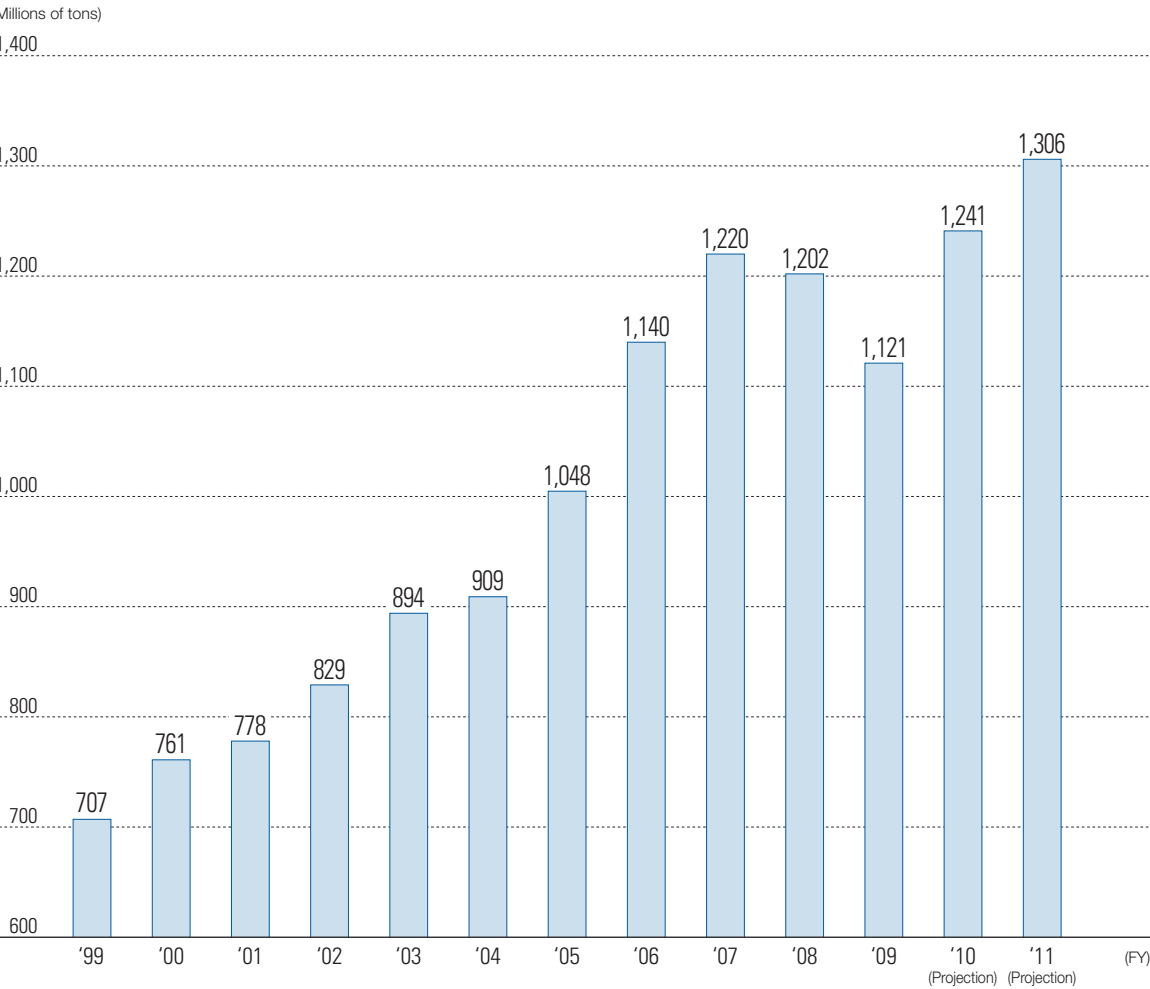


Plate mill (Kurashiki area)



Proportion of
“Only One” and
“Number One” products
to total sales

30%

JFE Steel's Strengths

JFE Steel has built a solid network of customers possessing advanced technologies. Together with our customers, we have developed a comprehensive supply chain and are creating new areas of demand.

As one of our initiatives, we established the industry's first joint research and testing facility, where we are able to work together with our customers to create new demand categories through joint development.

This facility is one of the resources we use to pursue advanced R&D that anticipates customer needs, and the solutions to customers' technical problems.

Our endeavors in these areas helped to boost “Only One” and “Number One” products to 30% of our total sales in FY2009, and we aim to increase this percentage further moving forward.

JFE Steel was the first company in Asia to build a solid vertical specialization scheme in which JFE Steel exports semifinished products to our partners who then process them into finished products locally. This scheme has allowed us to establish a firm foundation in the Asian market, which is a driving force for global growth.

Looking ahead, we aim to capture a share of the anticipated burgeoning worldwide demand for high-end steel, by building business models

tailored to the needs of individual geographic areas and to particular demand categories. Production capability is the foundation of a manufacturing company. We are endeavoring to maintain our cost competitiveness by operating two large steel works—the East Japan Works and West Japan Works—for scale advantages, and to facilitate sharing of the best technology between the works. The JFE Steel Group responds to the exacting demands of customers with advanced manufacturing capabilities that enable it to turn out products offering quality and performance that are among the best in the world.

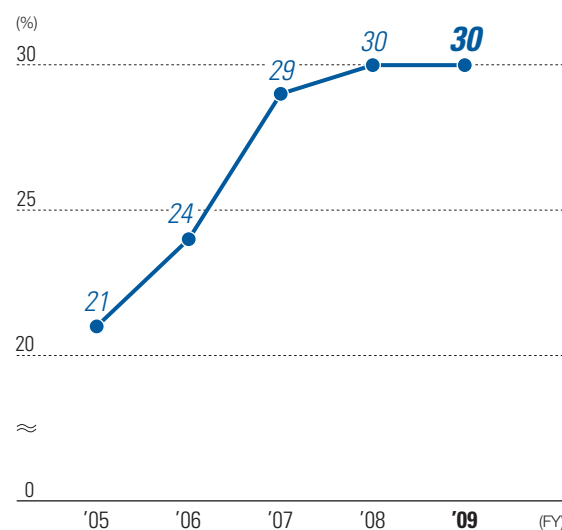


Customers' Solution Laboratory (CSL)
Established in the Chiba area in August 2005
Base of EVI (Early Vendor Involvement) activities for customers in automobile fields



TCR, Thailand
Uses hot-rolled steel sheets exported by JFE Steel to produce cold-rolled steel sheets.

Trend in the Proportion of “Only One” and “Number One” Products to Total Sales



Initiatives in FY2010

In FY2010, the business environment for JFE Steel is gradually recovering from its worst level with the help of economic stimulus measures in Japan and abroad, and the recovery of Asia's emerging economies. However, expanding steel demand has resulted in a tight market for raw materials, and consequently suppliers demanded significant price hikes and shorter contract periods. In responding to these challenges, we are working to cut our operating costs further. However, since this alone cannot absorb all of the raw material price increases, we are also asking our customers for their understanding in accepting higher prices and revised contract periods.

To prepare for the medium- to long-term increase in demand for high-end steel, we are moving forward with measures like revamping our Fukuyama No. 3 Blast Furnace in an effort to boost our domestic standalone crude steel output to 33 million tons per year (37 million tons on a consolidated basis). Our other growth-oriented initiatives include our efforts to accurately gauge demand in

geographical areas with growth potential, notably Asia and other regions, and in new-energy-related fields, and delivering value-added products to the market as early as possible.

We will build production systems capable of more flexibly responding to demand-supply changes and advance other profitability-improvement measures at the companywide level to enhance cost competitiveness.

In response to increasingly oligopolistic conditions in raw material markets, we are endeavoring to secure resources rights and expand our use of low-grade materials to ensure that we have stable supplies of competitive raw materials.

In overseas businesses, we are increasing the capacity of Guangzhou JFE Steel Sheet in China and developing a strategic partnership with JSW Steel in India.

With these initiatives, we are striving to expeditiously return to being a highly profitable company and at the same time lay the groundwork for major advancements in the future.



Hot Rolling Mill (Keihin area)