



JFE Group 2010

BUSINESS
REPORT

挑戰

Challenging Spirit

柔軟

Flexibility

誠実

Sincerity

Editorial Policy

Comprehensive information on the JFE Group's business activities and performance is systematically posted on the JFE Holdings website. This includes:

- **Investor Information:** Company (Medium-Term Business Plan, etc.), financial (Annual Securities Report, Group Investors Meeting materials, etc.), and stock & rating information
- **News Releases**
- **CSR (Society and Environmental):** Social Performance Report, created in response to requests by stakeholders, and Environmental Sustainability Report
- **Company Profile:** Corporate vision and outlines of JFE Group and JFE Group companies

The purpose of the Business Report is to provide in-depth and informative explanations of items mentioned above, focusing on matters of particular importance.

Organizations Covered in Reports and Compiled Data

- **Holding company:** JFE Holdings, Inc.
- **Operating companies:** JFE Steel Corporation, JFE Engineering Corporation, Universal Shipbuilding Corporation, JFE Urban Development Corporation and Kawasaki Microelectronics Inc.
- **Affiliates under operating companies:** 234 companies (193 consolidated subsidiaries and 41 equity-method affiliates)

Notes:
Affiliates under operating companies are excluded from environmental performance data unless specified otherwise.
Data through FY2002 combines the pre-merger data of Kawasaki Steel Corp. and NKK Corp.

Reporting Period

In principle this report covers the 2009 fiscal-year period from April 1, 2009 to March 31, 2010.

Cautionary Remarks 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.

Related Information

For further information on business, social-responsibility and environmental activities described in this report, we provide the following website pages and brochures for download as PDF files or e-books.

Website Company Profile

Corporate vision, outline of JFE Group, corporate governance, and other information.



www.jfe-holdings.co.jp/en/company

Website Investor Information

Management, financial, and stock & rating information.



www.jfe-holdings.co.jp/en/investor

CSR Report Social Performance Report

This report, issued in June 2010 and available in both PDF and e-book formats, explains the JFE Group's concepts regarding societal initiatives and provides information on both major achievements in FY2009 and future goals.



www.jfe-holdings.co.jp/en/society/report.html

CSR Report Environmental Sustainability Report

This report, issued in June 2010 and available in both PDF and e-book formats, explains the JFE Group's concepts regarding environmental initiatives and provides information on both major achievements in FY2009 and future goals.



www.jfe-holdings.co.jp/en/environment

Corporate Vision

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

Corporate Values

A Challenging Spirit, Flexibility, Sincerity

挑戰 Challenging Spirit
柔軟 Flexibility
誠実 Sincerity

CONTENTS

Recent Photos: JFE TODAY	3
Message from the CEO	13
Special Feature	19
“Only One” and “Number One” Technologies that will be Key to Realizing a Low-Carbon Society	
Profile of the JFE Group	25
Management Structure	27
Members of the Board, Corporate Auditors and Corporate Officers of JFE Holdings	27
Management and Internal Control	28
Business	29
JFE Group Overview	30
JFE Steel Corporation	31
JFE Engineering Corporation	35
Universal Shipbuilding Corporation	37
JFE Urban Development Corporation	39
Kawasaki Microelectronics, Inc.	39
Social Responsibility	40
CSR Management	41
Risk Management and Compliance	42
Customers and Clients	43
Shareholders and Investors	44
Local Communities	45
Employees	47
Environment	49
Environmental Management System	50
Priority Environmental Targets and Results	51
JFE Steel's Activities to Prevent Global Warming	53
Lowering Environmental Burden at JFE Engineering	59
Lowering Environmental Burden at Universal Shipbuilding	59
Marine Environmental Activities	60
Recycling Technology Supporting a Sustainable Society	61
Third-party Comments	62
Financial Information	63
Five-year Financial Summary	64
Consolidated Balance Sheets	65
Consolidated Statements of Income	67
Consolidated Statements of Cash Flows	68
Consolidated Statements of Changes in Net Assets	69
Notes to Consolidated Financial Statements	72
Report of Independent Auditors	86
Major Consolidated Subsidiaries and Equity-Method Affiliates	87
Shareholder Information	88



JFE TODAY 1

Meeting the World's Demand for High-End Steel with Optimal Blast Furnace Operations

The blast furnace symbolizes steel works that operate 24 hours a day, 365 days a year. Meeting domestic and overseas demand for high-end steel with optimal operations, and applying advanced processes and control technologies, we conscientiously work to cut our CO₂ emissions and reduce our environmental burden in other ways, as well.



JFE TODAY 2

Creating a New Landmark with World-Class Steel Structure Technology

JFE is participating in the construction of Singapore's giant SkyPark garden, which connects three hotels 200m above the ground. Applying our world-class technology in the construction of steel frames for high-rise buildings and bridges, we are contributing to the creation of urban infrastructure throughout the world.



JFE TODAY 3

Contributing to Antarctic Research Expedition with Shipbuilding Technology

We built the *Shirase*, an icebreaker capable of transportation of personnel and materials to Antarctic regions where ice thicknesses exceed four meters. Incorporating a water flushing system that improves energy efficiency by reducing friction with snow, and measures designed to prevent marine pollution, we are using environmentally conscious technologies to support exploration at the ends of the earth.



JFE TODAY 4

Acquiring Resource Rights to Secure Stable Supplies of High-Quality Coking Coal

To secure stable supplies of coking coal, which is needed to produce and supply high-quality coke, we acquired rights to 20% of the Byerwen Coal project, which is scheduled to get underway in 2012 and is owned by QCoal Pty Ltd. in Australia. Looking ahead, we will continue to actively seek out and secure rights to resources.

(* Photo is an artist's conception.)

Pursuing Dialogues with Shareholders and Other Stakeholders

We promote mutual understanding through dialogues with stakeholders. As part of that effort, we have been offering our shareholders with guided tours of plants and corporate briefing sessions since FY2006. So far, the number of participants in these tours has annually exceeded 1,800.





Hajime Bada
President & CEO
JFE Holdings, Inc.

To All Stakeholders

From the time of its establishment, the JFE Group has remained committed to its mission of contributing to society through the world's most innovative technology and achieving sustainable growth by enhancing value to shareholders and other stakeholders.

We remain dedicated to meeting the expectations of stakeholders as an impartial, fair and transparent business guided by our belief in the principles of A challenging spirit, flexibility and sincerity, which define our corporate values.

Medium- to Long-Term Growth Policy Unchanged

In April 2009, we announced a new medium- to long-term management policy. Although lackluster economic conditions and abrupt changes in the market have affected our business since 2008, we believe that our policy is geared appropriately for growth, and we will continue to proceed in this direction in the fiscal year ending March 31, 2011. As we carefully assess our operating environment going forward, we believe we are on course to accomplish our growth targets.

Five Pillars of Current Management Policy

- Develop innovative technologies looking 10 years ahead
- Secure footholds in markets offering growth and development
- Review management systems throughout the Group
- Enhance CSR and strengthen corporate governance
- Strengthen the Group's financial position and return profits to shareholders

Meeting the Challenges of a Changing Market

Since unveiling our current management policy, economic conditions have changed considerably and developed nations including Japan have suffered sharp declines in economic growth. Emerging nations, particularly in Asia, however, have rebounded quickly since the Lehman collapse. From fiscal 2010, we are setting five priorities to address changes in the global market.:

Five Business Priorities

- Reinforce the strategic allocation of Group businesses
- Focus on the environmental and energy fields
- Expand business in Asia
- Pursue Group-wide synergies
- Balance investment in growth against financial standing

The JFE Group's pursuit of sustainable growth is underpinned by long-term relationships of trust with shareholders, customers, employees, local communities and other stakeholders.

To achieve our objectives, we will continue Group-wide efforts to enhance corporate governance and compliance, address global environmental issues and ensure safety—all of which, I believe, are essential to earning the trust of society.

I greatly appreciate your ongoing encouragement and support.

June 2010

Q1. After announcing the current management policy in April 2009, what progress was made in fiscal 2009, and what is the outlook for fiscal 2010?

In fiscal 2009 the Group implemented urgent cost cuts and quickly responded to the changing business environment by sharpening its focus on the growth of demand in the emerging countries of Asia. As a result, consolidated ordinary income rose to ¥69.2 billion.

Despite continued volatility in the market, the Group made steady gains with management-policy measures aimed at realizing significant progress for the Group in the future.

Looking Ahead 10 Years with Innovative Technologies

We renewed our research and development structure in April 2009, which included an extensive reorganization of JFE R&D Corporation. The aim is to accelerate development of innovative process and application technologies and revolutionary products looking 10 years ahead. In particular, this will include state-of-the-art, world-class technologies for the environment and energy/resource savings.

A good example is JFE Steel, which began constructing a pilot plant for an innovative Ferro-Coke manufacturing process at its East Japan Works (Keihin District) in December 2009. JFE Steel expects the process to enable significant reductions of CO₂ emissions, increased energy savings and greater use of lower-quality coal and mineral resources.

We also participated with other steel manufacturers in the ongoing COURSE 50 project to jointly develop innovative technologies for steelmaking processes. It is hoped that these technologies will lead to cuts of some 30% in CO₂ emissions, based on the capture, separation and recovery of CO₂ from blast furnace gas. The goal is to establish these technologies by around 2030, and then commercialize and transfer them by 2050.

Initiatives for Growth and Progress

Each operating company in the Group is steadily moving forward with growth initiatives.

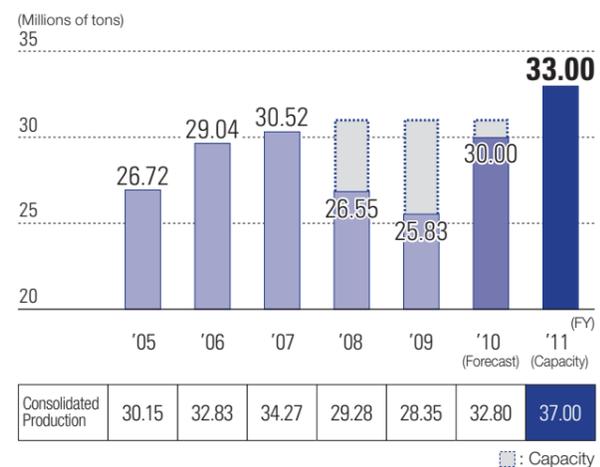
JFE Steel has increased the steelmaking capacity of its No. 7 Continuous Caster and other facilities at the West Japan Works (Fukuyama District), a move

aimed at capitalizing on expected increases in demand for high-end steel over the medium to long term. The facilities began operating in the first half of fiscal 2010. In spring 2011, the expansion of the Fukuyama No. 3 Blast Furnace will be completed, thereby raising non-consolidated domestic annual capacity to 33 million tons of crude steel.

Overseas, an agreement for comprehensive strategic cooperation with JSW Steel Limited, the largest private steel manufacturer in India, was signed in November 2009.

At JFE Engineering, increasing moves to address environmental problems worldwide are creating promising opportunities for more work orders. The company is accelerating its introduction of new products for the environmental and energy fields, including eco-minded products such as ballast-water processing equipment for ships, which will be launched in the current fiscal year.

JFE Steel's Crude Steel Production (Non-Consolidated)



Ongoing Reorganization and Restructuring of the Group

The JFE Group also continued to reorganize and restructure its business for enhanced operational efficiency.

In the steel business, JFE Refractories Corporation merged with Shinagawa Refractories Co., Ltd. to form a new company in October 2009 (the company name changed in Japanese but stayed the same in English). Reorganization of JFE Engineering included the integration of four Group affiliates in April 2009. Closure of the Utsunomiya Plant of Kawasaki Microelectronics, Inc. and the launch of fabless operations in February 2010 were among other measures taken.



Q2. With the prices of raw materials for steelmaking continuing to rise, some have called for prices to be set on a shorter, quarterly basis. How do you intend to respond to this situation when you purchase raw materials and when you sell steel products?

With the supply of raw materials expected to remain tight over the medium-to-long term due to rising steel demand in emerging countries such as China and India, and the formation of oligopolies among the major resource suppliers, raw material prices are likely to remain high. If the period for revising prices were shortened, prices may fluctuate widely over the long term. In view of this situation, we will pursue several pricing measures for both raw material procurements and steel sales, as follows.

Securing Resource Interests to Raise Ownership Ratio

To improve our ratio of raw material procurements in which we hold rights, we acquired a 20% interest in the Byerwen Coal project from QCoal Pty Ltd. of Australia in December 2009. When this project starts operating in 2012, it will provide a steady annual supply of 2 million tons of high-quality coking coal at affordable prices. For iron ore, in 2008 we acquired an interest in Brazil's Nacional Minérios S.A. (NAMISA)

via a Japanese-Korean consortium that includes JFE Steel.

Such acquisitions have boosted our ownership ratio to around 15% in total procurements of iron ore and coking coal. Going forward, we will continue to secure interests in competitive raw materials, aiming to increase the ratio to around 30% each for iron ore and coking coal in around two years.

Technologies for Using Low-Grade Raw Materials

We will continue to pursue efforts to develop and utilize new technologies for purposes such as Ferro-Coke, aiming to strengthen our ability to replace more costly higher-grade raw materials with cheaper lower-grade substitutes.

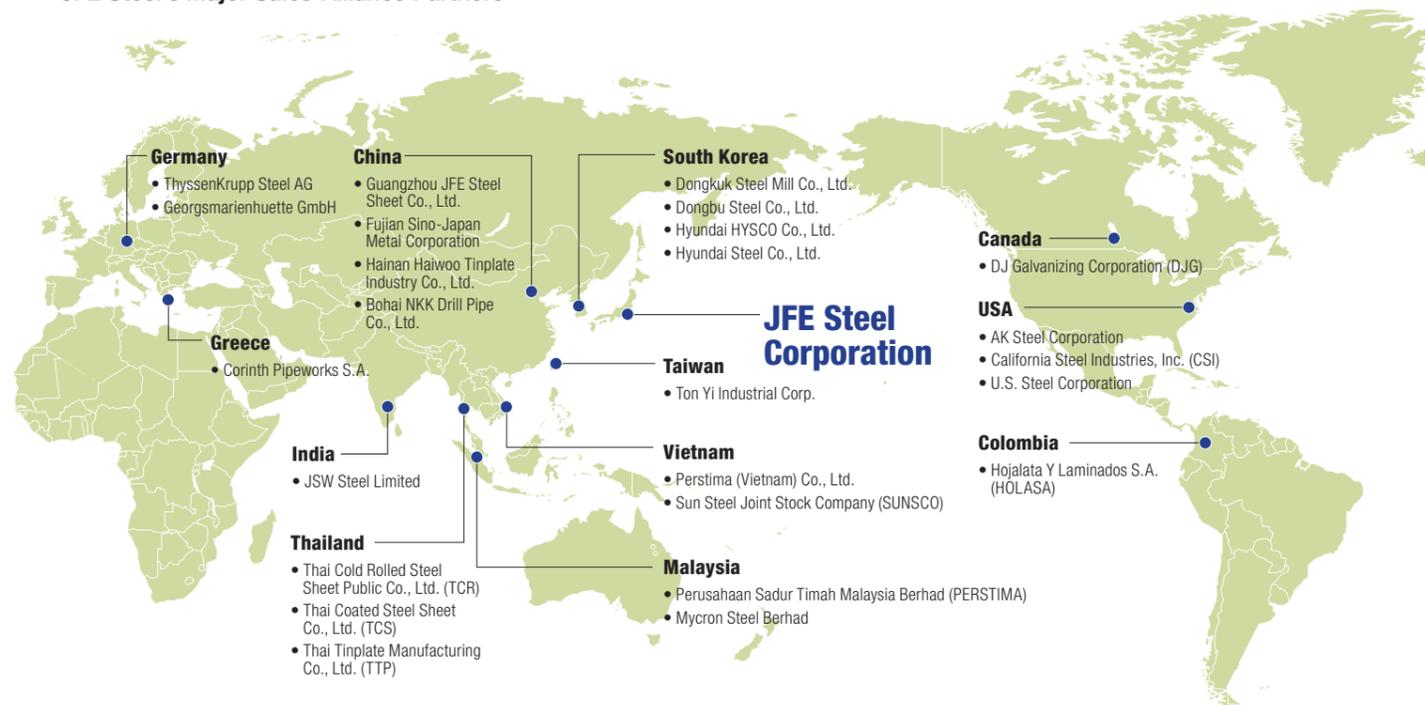
Cost Cuts and Timely Pricing for Steel Products

JFE Steel already has taken a variety of measures to reduce costs, but considering the unabated trend of rising raw materials prices, the company will implement additional measures in fiscal 2010.

Although steel prices are not determined by input costs alone, JFE Steel will ask all customers in Japan and overseas to accept upwardly revised steel prices to cover increased costs that JFE Steel cannot absorb on its own.

If the time for revising raw material prices were shortened, we would need to reconsider the length of time between revisions in our steel prices.

JFE Steel's Major Sales-Alliance Partners



Q3. Given that BRIC countries such as China and India are experiencing remarkable growth, what is your strategy for the steel business overseas, including the establishment of blast furnaces?

Steel demand cannot be expected to increase significantly in Japan, where the birthrate is declining and the population is aging. In emerging countries where populations are growing and economies are developing, however, the demand for steel is likely to grow.

The World Steel Association in April 2010 forecast that global demand would hit a record 1.24 billion tons in 2010 and then exceed 1.3 billion tons in 2011. Although demand in Japan and other advanced countries is not foreseen surpassing 2007 levels, emerging countries in Asia are expected to experience substantial recoveries in demand.

The key to growth for the JFE Group is to capture Asia's expanding demand. This is why we intend to continue focusing on efforts to increase exports centered on high-end steel, as well as to proceed with strategies for production overseas.

Expansion of Vertically Specialized Alliances

JFE Steel has captured growing overseas demand in part by developing vertically specialized business models for its alliances in East and Southeast Asia.

Guangzhou JFE Steel Sheet Co., Ltd., a joint venture with Guangzhou Iron and Steel Enterprises Holdings Ltd., is constructing the second phase of a cold-rolling facility that will launch in 2011.

In February 2010, we acquired stakes in Mycron Steel Berhad., a major cold-rolled steel manufacturer in Malaysia, and Sun Steel Joint Stock Company (Sunsco), a leading manufacturer of galvanized steel sheets and steel pipes in Vietnam. Both investments will help to secure stable, long-term customers for our steel products and also to capture additional local demand.

With conditions having changed in South Korea, where new blast furnaces have been constructed and self-sufficiency in steel products is expected to rise, JFE Steel will continue to expand its vertical specialization business model in other markets to further accelerate global business development.

Other Efforts to Develop Business Overseas

JFE Steel agreed on comprehensive strategic cooperation with JSW Steel Limited, the largest private steel manufacturer in India, in November 2009. That same year, India overtook Japan as the world's number-three consumer of steel. Demand in India is expected to expand rapidly, centering on construction and automobile production as the country's middle class grows. Under the cooperation agreement, JFE Steel will supply substrate and transfer technologies for the manufacture of automotive steel. We also are considering opportunities in fields such as energy efficiency, environmental management and cooperation on JSW Steel's envisioned steel plant in West Bengal, as well as a possible capital tie-up.

To further capitalize on overseas growth opportunities for long-term success, we are considering the construction of full-scale steel plants in Southeast Asia and Brazil based on prospects for raw materials procurement and steel consumption in these regions. We intend to build the plants if prospects for return on investment and other key factors are appropriate.

Q4. The engineering and shipbuilding businesses were profitable in fiscal 2009. What is the outlook in fiscal 2010?

Record Profits in Fiscal 2009

In fiscal 2009 we took measures to improve earnings in our engineering and shipbuilding businesses, resulting in ordinary income of ¥13.3 billion and ¥21.5 billion, respectively. Both businesses are now positioned to generate steady earnings even under harsh economic conditions, as shown by their highest-ever profits since the JFE Group was formed.

Steadily Achieving Success in a Harsh Business Environment

Although domestic demand for engineering business has been sluggish and is expected to remain harsh, JFE Engineering is developing overseas markets and introducing new products by leveraging its expertise in environmental and energy technologies and products, in particular to capitalize on increasing initiatives

to address environmental problems around the world.

In shipbuilding, where the market for new vessels remains lackluster and competition with South Korean and Chinese manufacturers is stiffening, Universal Shipbuilding Corporation nevertheless has secured sufficient orders to maintain construction volume at a high level for about two and a half years. The company is developing next-generation ships that offer energy-efficient designs for reduced environmental impact, including lower CO₂ emissions.

Opportunities to further strengthen shipbuilding operations through tie-ups or consolidation continue to be examined.

Q5. As the JFE Group strives to boost its corporate value, what are your thoughts on improving the balance sheet and returning profits to shareholders?

Targeting 50% D/E Ratio and Stronger Balance Sheet

Our interest-bearing liabilities at the end of March 2010 totaled ¥1,468.4 billion, down about ¥300 billion from the previous year, and our debt/equity ratio improved significantly to 75.5%. We now are aiming for a D/E ratio of 50% and a stronger balance sheet to support our growth strategies while maintaining a high credit rating.

Priority on Returns to Shareholders

Returning profit to shareholders is one of our top priorities, as seen in our target of a basic dividend payout ratio of about 25%. However, faced with the need for aggressive investments to support our future growth, we currently are giving priority to maintaining and improving our financial position.

Conclusion

As part of maintaining strong relationships with stakeholders, the JFE Group will continue to strive for sustainable growth while enhancing corporate value in cooperation with stakeholders.

To this end, candid opinions and ideas regarding our activities are highly welcomed.

Special Feature

“Only One” and “Number One” Technologies that will be Key to Realizing a Low-Carbon Society

We contribute to reducing greenhouse gas emissions with our “Only One” and “Number One” technologies and products.

The JFE Group has developed a series of products and services that make use of “Only One” and “Number One” technologies with a view toward the reduction of greenhouse gasses, a global issue. This is part of putting into practice the Group’s corporate vision of “always contributing to society with the world’s most innovative technology.” Our aim is to contribute to the realization of a low-carbon society.

Reducing the Volume of CO₂ Emissions by Customers

14.87 million tons
(Company total in FY2008. Source: the Japan Iron and Steel Federation)

JFE Steel Contributions to Automotive Hybrid and Electric Drive Technologies

High-Efficiency Non-Oriented Electrical Steel Sheet, a Material for Electrical Motors that Contributes to Better Fuel Economy, Higher Performance and Smaller Motors

Focusing on the Growing Popularity of Hybrid and Electric Vehicles

Hybrid cars and electric vehicles are becoming increasingly common on the back of growing environmental concerns, such as the need to reduce emissions including NO_x and CO₂, and the need for efficient utilization of petroleum energy. JFE Steel quickly identified these needs and has carried out research and development on electrical steel that is meeting the needs of electric-powered equipment for the automotive industry.

We have developed materials for traction motors for hybrid cars and electric vehicles, by drawing on our cutting-edge technologies used to improve the energy efficiency of air conditioners and refrigerators, while communicating closely with our customers.

World-Class Manufacturing Technology for Electrical Steel

Thin (0.20 to 0.35 mm) high-quality electrical steel that can efficiently use battery power is required for traction motors, which need to be compact, have high output, and be highly efficient and reliable. To efficiently manufacture electrical steel with a minimum deviation in quality, we have introduced specialized facilities (continuous cold rolling tandem mills) ahead of our competitors, and our manufacturing technology for high-quality electrical steel is world class.

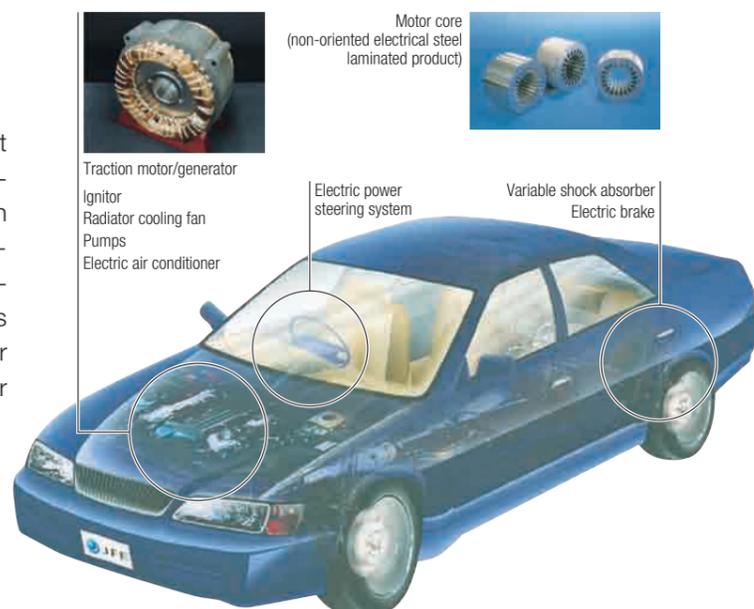
Enhancing the Performance of Steel to Further Reduce Size and Increase Efficiency

We have developed high-efficiency non-oriented electrical steel for hybrid cars and electric vehicles that contributes to better fuel economy, higher output, and smaller motors.

This product has garnered attention in Japan and overseas and is used by many automobile manufacturers worldwide.

We will continue to further improve steel performance and provide electrical steel that meets customers’ needs as we seek to expand our business globally.

Application of Electrical Steel in Automotive Parts



JFE Steel Reducing the Weight of Automobiles

High-Strength Steel Sheets for Automobiles in Structural Parts that Contribute to Boosting Fuel Efficiency by Reducing Weight

Balancing Crash Safety and Fuel Efficiency through Weight Reduction

Society now demands automobiles with both better crash protection and lower weight to improve fuel efficiency and reduce CO₂ emissions. There is thus a need for thinner and higher-strength steel sheets (high tensile) for use in structural parts that contribute to the strength of the car body and safety.

Structural parts require press-forming, and press formability declines as steel sheet strength increases. JFE Steel has promoted the development of high-strength steel sheets with good formability as well as thinness and strength, and we have commercialized high-strength steel sheets that respond to the demands of the automobile industry.

Realization of High-Tensile Steel Sheets with Stable Formability through a Unique Mass Manufacturing Process

To mass-produce high-strength steel, we independently developed a water-quenching system (WQ process) that boasts the world’s top cooling rate (about 1,000°C/second) for the continuous annealing furnace used in our manufacturing process for cold-rolled steel sheets. Through this WQ process, we have commercialized extremely strong and high-quality steel sheets. These contribute to reducing the weight of structural and various other automobile parts, including seat frames and crash safety elements, such as bumpers and door impact beams.

Achieving 4.95-Million-Ton Reduction in CO₂ Emissions Since 1997

From 1997 through 2006, we have made progress in producing high strength structural parts for automobiles, increasing strength by 30% or more. In doing so, we achieved a 9% weight reduction by 2006 compared with 1997, helping reduce CO₂ emissions in Japan by 4.95 million tons. If we can further increase the application of higher-strength steel sheets, which we have more than doubled in strength since 1997, we should be able to achieve a further 9% reduction in weight compared with 2006 by 2015, thus further combating CO₂ emissions.

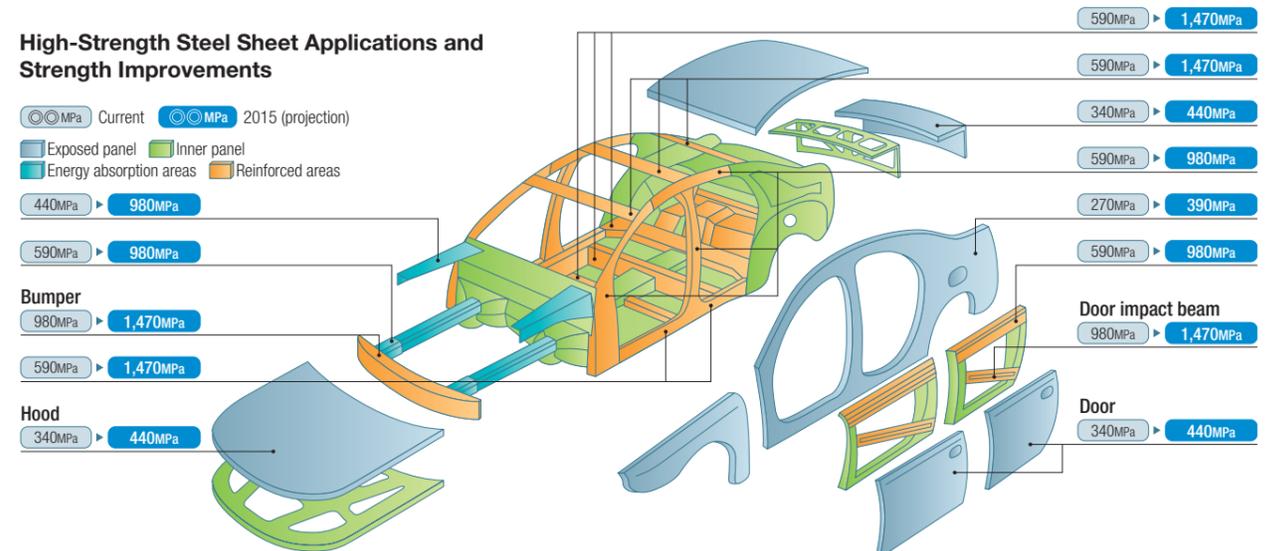
Efforts Toward the Development of Materials to Further Increase Strength and Application Technologies

We seek to expand our basic technologies to make high-strength steel for automobiles for applications other than structural parts, including exposed panel parts such as doors and hoods, and chassis parts such as suspension arms, thus widely contributing to reducing automobile weight.

To further improve the strength and formability of high-strength steel sheets, we are focusing on development of materials and application technologies, such as forming and jointing methods that will promote the use of high-strength steel sheets in automobile parts.

High-Strength Steel Sheet Applications and Strength Improvements

●●● MPa Current ●●● MPa 2015 (projection)
 ■ Exposed panel ■ Inner panel
 ■ Energy absorption areas ■ Reinforced areas



JFE Steel

Natural Gas Thermal Power Plants

Steel Tubes for Heat Recovery Boilers Contribute to Improving Power Generation Efficiency

Responding to Demand for Heat-Resistant Steel Tubes due to the Adoption of Natural Gas at Thermal Power Plants

An increasing number of companies are constructing natural gas combined power plants to improve the energy efficiency of thermal power generation and reduce CO₂ emissions.

While the energy efficiency of conventional coal thermal power plants is about 44%, the efficiency of natural gas power plants is about 53%. The use of natural gas also reduces CO₂ emissions per kWh by over 45%. JFE Steel's 9% Cr (chrome) steel tubes are used in heat recovery boilers at natural gas combined-cycle power plants.

Manufacturing Technology to Achieve Dimensional Precision and Improved Construction

JFE developed Super-Hot technology especially for the manufacture of steel pipes over 20 meters long in response to demand for larger boilers and progress in power generation efficiency. Using this technology, we provide long heat-resistant advanced 9% Cr steel pipes with good dimensional precision and improved construction, thus contributing to improved efficiency of natural gas combined-cycle power generation and reduced construction costs.



Long boiler pipes

JFE Steel

Nuclear Power Generation

Steel Plates Used for Pressure Vessels in Nuclear Power Plants, which Contribute to Safety and Peace of Mind

For Safer and More Reliable Nuclear Power Generation with Low CO₂ Emissions

Nuclear reactors, the core components for nuclear power generation, require strong and highest-quality steel plates for their pressure vessels and containment vessels to maintain safety if the unexpected occurs.

JFE Steel is the leading manufacturer in Japan of thick steel plates for pressure vessels and containment vessels.

JFE Steel Established a Production Process for Heavy-Gauge and High-Strength Quality Steel Plates

Heavy-gauge steel plates more than 10cm thick are used for pressure vessels in nuclear power plants. The thickness and high strength allows the plates to withstand stress of six tons per square centimeter, which is an indispensable property. In addition, internal quality must be homogeneous and internal defects must be avoided. In response to such requirements, JFE Steel has developed steel plates with much higher quality than conventional materials utilizing its “Only One” technology “Continuous casting + Forging + Plate rolling.” To proceed into overseas nuclear power plants markets, JFE Steel is developing technologies for the production of thicker and heavier steel plates, which contribute to the safety and reliability of nuclear reactors.



6,000 ton Press Forging Plant (Kurashiki District)

Universal Shipbuilding

Eco Ships

Encouraging Development of Eco Ships for Lower CO₂ Emissions

Researching Next-Generation Commercial Sailing Vessels that Use Natural Energy

Looking at the Effective Use of Natural Wind Energy

Using natural wind power could help to solve the issue of reducing maritime transport CO₂ emissions. With this idea in mind, research and development into next-generation commercial sailing ships is advancing, based on the construction record of more than 10 commercial sailing ships in the 1980s.

Challenge of Making Sails More Compact and Easier to Store

For sailing ships currently under development, the sail will utilize wind to assist propulsion. We are addressing the issue of making sails more compact and easier to store so that they do not interfere with the ship operation at port and during cargo handling operations.

Significantly Reducing CO₂ Emissions through Integration with Navigation Support System

We look for ships to enable reduction of CO₂ emissions by about 20% from the current level by saving energy. This will be achieved by integrating the Sea-Navi[®] navigation support system and selecting voyage routes where the ship can harness favorable winds effectively.

Aiming to Realize Zero-Emission Ships through Various Tests for Practical Application

We will make scale models of sails for actual use and carry out verification tests. We will then test the sails on actual ships aiming for practical use of the equipment. By accelerating development of this technology, we continue our activities toward the target of realization of ships that do not emit CO₂.

Sea-Navi[®] Reduces Fuel Consumption by Optimizing Ship Navigation

Saving Energy by Optimizing Navigation

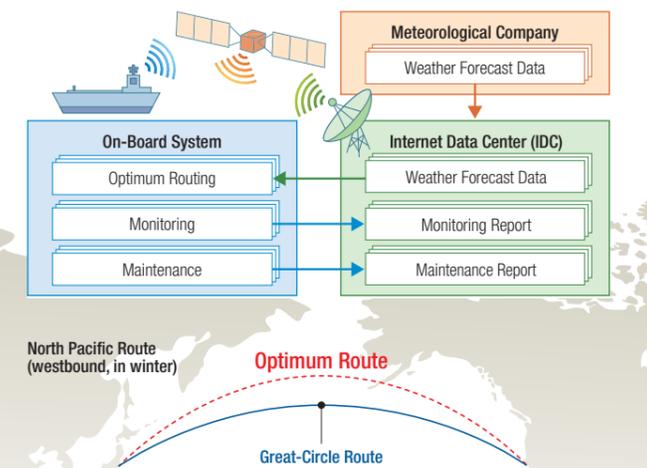
Energy-saving efforts for ships have traditionally focused on improving hardware (hull, machinery, etc.), but Universal Shipbuilding also focuses on improving software (navigation), and the company has developed Sea-Navi[®], a navigation support system that allows the vessel to use less energy by optimizing navigation. Currently, we are carrying out verification tests in collaboration with two ship companies in Japan.

Application Based on Sophisticated Simulation Technology Held Only by Shipbuilders

Sea-Navi[®] is a system based on sophisticated simulation technology that is held only by shipbuilding companies, and the routes it suggests are highly reliable in terms of energy savings and safety. One convenient feature of the system is that navigation officers can search for optimum routes using a notebook computer on board.

Estimated Fuel Savings of About 5% per Average Year

We estimate that the use of the system on a ship on a North Pacific route will result in fuel savings (CO₂ reduction) of about 5% per average year, although the effects will differ between summer, when the weather and ocean conditions are calm, and in winter, when they are rough.



JFE Engineering

Natural Gas Conversion

Full-Range Support for Natural Gas Conversion that Reduces CO₂ Emissions

Building a Total Supply Chain for Natural Gas

Progress is being made globally in the conversion of oil to natural gas with the aim of reducing CO₂ emissions. New stations and pipelines for the storage and supply of liquefied natural gas (LNG) are to be constructed in Japan in response to the government’s policy of reducing CO₂ emissions by 25%.

JFE Engineering provides cutting-edge technologies and services in all fields related to the supply of natural gas, including upstream gas treatment plants in the gas fields, LNG bases* and pipelines.

* Facilities that receive and store liquefied natural gas (LNG) and supply it as city gas, fuel for power generation and for various fuels and raw materials for industrial use.

Responding to Demand for the Construction of Domestic LNG Bases

The construction of LNG bases in Japan has been ramped up to handle an increasing volume of LNG imports, and as of March 2010, nationwide there are 28 LNG installations in operation. Many more LNG installations are being planned or are under construction, and further construction and expansion is forecast.

Since constructing an LNG base for the Higashi-Ogishima Thermal Power Station (Kawasaki City) in 1984, we have been deeply involved in the construction of LNG storage bases at 16 locations in Japan. We are making use of our rich experience and ad-



LNG Terminals

vanced technological capabilities in current construction projects, and we provide comprehensive engineering services covering preliminary study, environmental assessments, design, procurement, on-site construction and test operations.

Expanding the Natural Gas Pipeline Network

With an increasing amount of LNG being imported, pipeline networks are being rapidly developed as supply infrastructure. We are a pioneer in the construction of high-pressure gas pipelines that safely send large volumes of natural gas over long distances, and we have a track record of having constructed more than 60% of the pipelines in Japan for city gas, industrial use and fuel for thermal power stations. We will use our cutting-edge technologies to support the expansion of the natural gas network as the leading company in this field.



Offshore Pipelines for Natural Gas

Cogeneration Systems With 80% Energy Efficiency

As one of our solutions for reducing CO₂ emissions, we provide fuel conversion together with cogeneration systems that handle natural gas fuel for plants, port facilities and so on. This system, which drives reciprocating engines with natural gas, achieves energy efficiency of 80%—twice that of thermal power generation—through superior generating efficiency and the ability to use waste heat.

JFE Engineering

Use of Energy from Waste Products

Garbage Treatment Plants as Energy Supply Bases

Hyper Z Stoker Furnace Combining Cutting-Edge Technologies

We have made use of our experience and the technologies we have accumulated as the top manufacturer of garbage incinerators to develop an advanced plant called the “Hyper Z Stoker Furnace,” which is optimally designed for handling capacity. This is an “Only One” product, in which high-temperature air combustion and waste gas recirculation technology have been applied to a garbage incinerator for the first time. It improves the efficiency of power generation accompanying garbage incineration by 17% through stabilizing burning even with a small amount of combustible air.



Hyper Z Stoker Furnace

Gasification and Melting Plant Garnering Attention in Europe

Generating power from waste products has seen increasing interest in Europe, where regulations are being incrementally strengthened regarding the landfill disposal of waste. JFE Engineering has applied its blast furnace technologies to the in-house development of gasification and melting plants that generate power by gasifying and melting garbage, and we are carrying out sales activities in the environmentally advanced European market. Currently, we are moving forward with the construction of a plant ordered by the SCA Group, one of the leading waste processing businesses in Rome, Italy.



Gasification and melting plant in Italy

JFE Engineering

Renewable Energy

Geothermal Power and Photovoltaic Power Generated from the Earth and the Sun

From Geothermal Power Plants to the Use of Geo Heat

Despite Japan being ranked third in the world in geothermal resources, the country is using only 3% of this potential asset. Meanwhile, there are increasing expectations for geo heat as a domestically produced energy that has a low environmental impact and can be obtained stably over the long term. JFE Engineering undertook the design and construction of the piping system at Japan’s first commercial geothermal power plant that went into operation in 1966. Since then, we have been involved in the construction of nine geothermal power plants—half of those constructed in Japan—and have led technological innovations in geothermal steam production designs. Based on our abundant experience



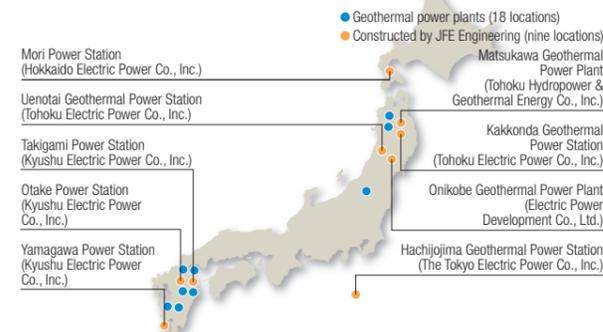
Geothermal Power Plants

and technologies, we are also moving forward with air-conditioning systems that use geo heat.

Photovoltaic Power Generation Business Utilizing Our Areas of Expertise

In FY2009, we entered the photovoltaic power generation engineering business targeting public and private sector industrial facilities. We support the construction of photovoltaic power generation systems from planning and design to construction for water processing plants, city garbage incineration facilities, other industrial plants, and large-scale commercial facilities, which are within our areas of expertise.

Construction of Geothermal Power Plants



Profile of the JFE Group

The JFE Group continues to take on the challenges of establishing high-level technologies and strengthening market competitiveness as a group of future-oriented companies that can be said to represent Japan.

The JFE Group launched its holding company JFE Holdings, Inc. in 2002 through a consolidation of NKK and Kawasaki Steel Corporation. Based on our corporate vision of “always contributing to society with the world’s most innovative technology,” we aim to be a group of excellent companies in the 21st century.

Holding Company (53 employees)

JFE Holdings, Inc.

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

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

In the course of fulfilling their respective duties, the holding company and operating companies strive to maximize corporate value for shareholders and other stakeholders.

Steel Business Net sales: 2,281.4 billion yen Employees: 42,842

JFE Steel Corporation

Head Office (Chiyoda-ku, Tokyo)

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

Major Works

- East Japan Works (Chiba and Kawasaki)
- West Japan Works (Kurashiki and Fukuyama)
- Chita Works (Handa)



195 Group companies

Electric Furnaces and Bar/Shape Steel

- JFE Bars & Shapes Corporation
- Daiwa Steel Corporation
- Toyohira Steel Corporation
- Tohoku Steel Corporation

Manufacture and Sale of Processed Steel Products, Raw Materials, etc.

- JFE Chemical Corporation
- JFE Metal Products & Engineering Inc.
- JFE Galvanizing & Coating Co., Ltd.
- JFE Container Co., Ltd.
- JFE Mineral Company, Ltd.
- JFE Steel Pipe Co., Ltd.
- Mizushima Ferroalloy Co., Ltd.
- JFE Pipe Fitting Mfg. Co., Ltd.
- JFE Kozai Corporation
- JFE Material Co., Ltd.
- JFE Precision Co., Ltd.
- River Steel Co., Ltd.
- JFE Electrical Steel Co., Ltd.
- Philippine Sinter Corporation
- Thai Coated Steel Sheet Co., Ltd.
- Shinagawa Refractories Co., Ltd.*
- Nippon Chuzo K.K.*
- Dongkuk Steel Mill Co., Ltd.*
- Guangzhou JFE Steel Sheet Co., Ltd.*
- Thai Cold Rolled Steel Sheet Public Co., Ltd.*
- California Steel Industries, Inc.*

Logistics & Warehousing, Facility Maintenance & Construction and Utilities Supply

- JFE Logistics Corporation
- JFE Civil Engineering & Construction Corp.
- JFE Mechanical Co., Ltd.
- JFE Electrical & Control Systems, Inc.
- Setouchi Joint Thermal Power Co., Ltd.*
- K.K. JFE Sanso Center*

Trading and Other Steel-related Businesses

- JFE Life Corporation
- JFE Systems, Inc.
- JFE Techno-Research Corporation
- JFE Steel Australia Resources Pty Ltd.
- Brazil Japan Iron Ore Corporation*
- JFE Shoji Holdings, Inc.*
- Gecoss Corporation*
- Exa Corporation*

Engineering Business Net sales: 294.2 billion yen Employees: 7,390

JFE Engineering Corporation

Head Office (Chiyoda-ku, Tokyo) Yokohama Head Office (Yokohama)

JFE Engineering provides engineering services focused on two core fields, namely, the construction of natural gas-related facilities and pipelines in the energy field and provision of facilities for the effective use of waste products as resources and energy in the urban environmental field. The company is also engaged in other diverse businesses, including the construction of bridges and other steel structures, architectural steel fabrication, and the production of automatic warehouse systems and other industrial machinery, aiming to provide comprehensive solutions through high-level engineering.

Major Works

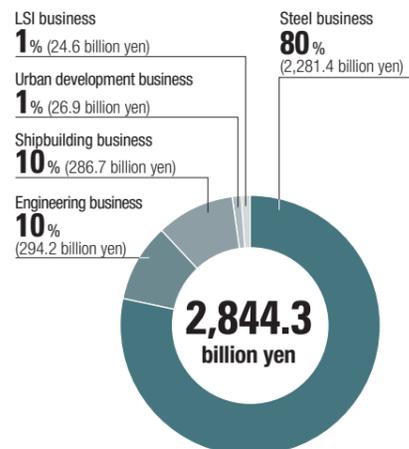
- Tsurumi Engineering and Manufacturing Center (Yokohama)
- Tsu Works (Tsu)
- Shimizu Works (Shizuoka)

33 Group companies

- JFE Kankyo Corporation
- JFE Environmental Service Corporation
- JFE Technos Corporation
- Asuka Soken Co., Ltd.
- Japan Tunnel Systems Corporation
- JP Steel Plantech Co.*
- NKKTUBES*
- Nippon Chutetsukan K. K.*



Breakdown of Consolidated Sales



Note: Eliminations and corporate: 2% reduction (69.7 billion yen reduction)

Shipbuilding Business Net sales: 286.7 billion yen Employees: 2,787

Universal Shipbuilding Corporation

Head Office (Kawasaki) 1 Group company

Universal Shipbuilding has five shipyards and one technical research center. The shipyards construct and recondition tankers and other large merchant ships, escort vessels, minesweepers and other naval ships, and icebreakers. The company leverages its comprehensive marketing system to quickly develop and produce ships that fully meet the needs of customers worldwide and thereby contribute both to industry and society at large.

Major Works

- Keihin Shipyard (Yokohama)
- Tsu Shipyard (Tsu)
- Maizuru Shipyard (Maizuru)
- Innoshima Shipyard (Onomichi)
- Ariake Shipyard (Tamana-gun, Kumamoto)



Urban Development Business

Net sales: 26.9 billion yen Employees: 311

JFE Urban Development Corporation

Head Office (Kawasaki) 2 Group companies

JFE Urban Development redevelops dormant properties, mainly for condominiums, to improve the usefulness and value of real estate owned by the Group.

LSI Business

Net sales: 24.6 billion yen Employees: 509

Kawasaki Microelectronics, Inc.

Head Office (Chiba) 2 Group companies

The company manufactures semiconductors used in high-function electronics products. Also, its products to be used for liquid crystal panels and optical communications command high market shares.

Group companies

239
(including operating companies)

Employees
53,892

* Equity-method affiliates

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



Members of the Board

Hajime Bada	President & CEO
Eiji Hayashida	Member of the Board
Yoshio Ishikawa	Member of the Board
Kohei Wakabayashi	Member of the Board
Sumiyuki Kishimoto	Member of the Board
Shigeo Asai*	Member of the Board
Akimitsu Ashida*	Member of the Board

* external

Corporate Auditors

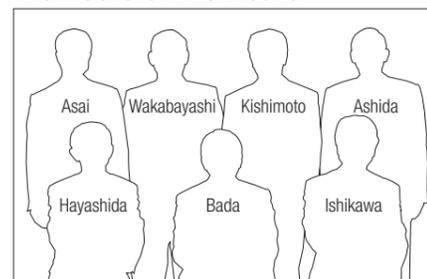
Toshikuni Yamazaki	Full-time Auditor
Kunio Akita	Full-time Auditor
Toshikuni Nishinohara*	Corporate Auditor
Hiroyuki Itami*	Corporate Auditor

* external

Corporate Officers

Hajime Bada President & CEO	CEO
Yoshio Ishikawa Executive Vice President	Supervision of the General Administration Dept. and Comptrollers' Dept.
Kohei Wakabayashi Executive Vice President	Supervision of the Corporate Planning Dept. and Finance and Investor Relations Dept.
Hideki Iwanami Senior Vice President	In Charge of the General Administration Dept. and Comptrollers' Dept.
Shinichi Okada Senior Vice President	In Charge of the Corporate Planning Dept. and Finance and Investor Relations Dept.

Members of the Board



Management and Internal Control

Management

JFE Holdings introduced two external directors in June 2007 to strengthen governance and enhance the fairness, objectivity, and transparency of management. In addition, the term for directors was shortened from two years to one to better clarify managerial responsibility. The Company's board of directors, which comprises seven directors, two of whom are external, is responsible for the supervision of operational performance and the maintenance and improvement of operational efficiency. The board of auditors, which includes two external auditors, monitors operations to ensure the soundness of the business.

JFE Holdings, JFE Steel, JFE Engineering, Universal Shipbuilding, and Kawasaki Microelectronics each has adopted a corporate officer system under which decision-making and execution are separated to clarify authority and responsibility and to accelerate execution.

Key Decision Making

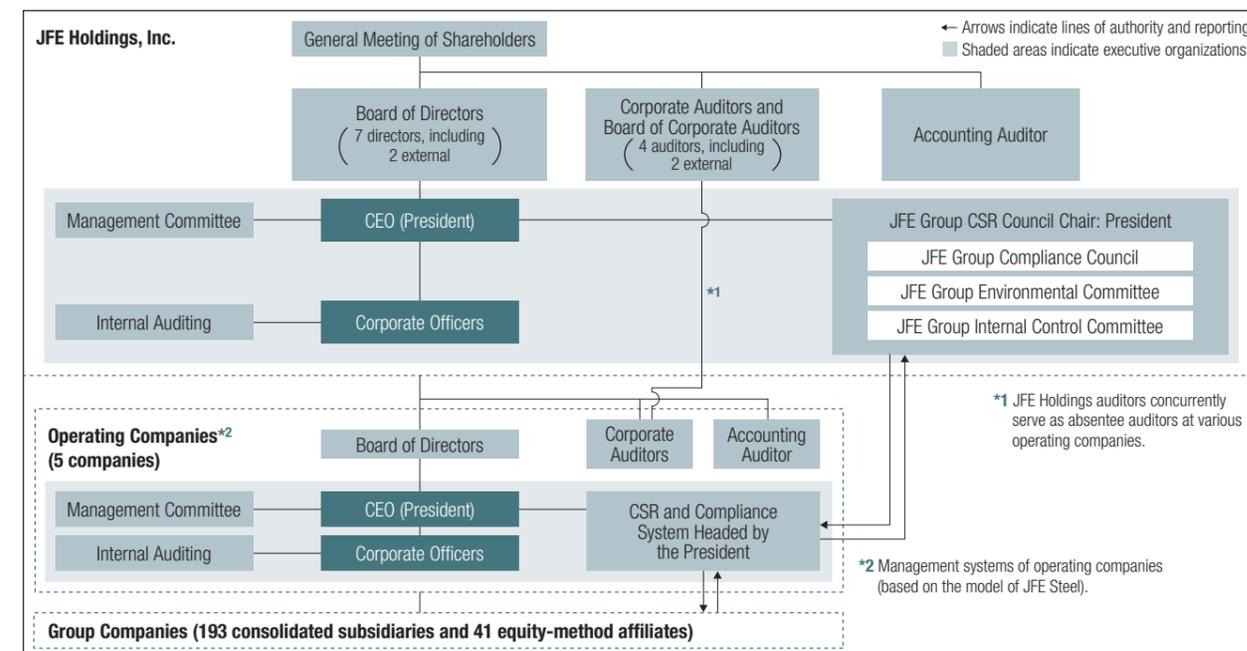
Group companies make decisions about key matters based on their own rules and according to clear procedures. JFE Holdings makes decisions about group-wide matters. Each operating company considers important matters related to the company and its affiliates by holding management meetings, etc., after which its board of directors renders decisions. JFE Holdings follows this procedure regarding matters important to the company, operating companies, and Group companies.

Internal Control

JFE Group's internal control system, which includes risk management, is governed by the Basic Policy for Building an Internal Control System. In accordance with this policy, rules have been established for meetings, organizational and operational matters, information storage and management, and violence countermeasures. A Corporate Ethics Hotline has also been established.

Note: Details of the management structure and internal control system are given in the "JFE Group Sustainability Report 2010: Social Performance."

Management Structure and Internal Control



Increasing Corporate Value

The JFE Group is increasing its corporate value on a solid foundation that emphasizes the Group's core function as a manufacturing enterprise. The Group is actively enhancing its cost competitiveness, quality advantages, and development of new products and technologies, as well as improving employee productivity and ensuring the crucial transfer of expertise to the next generation of employees.

www.jfe-holdings.co.jp/en/investor

JFE Group Overview

The JFE Group strives to achieve sustainable growth by contributing to society with the world's most innovative technology, as well as to increase value for shareholders and other stakeholders.

Operating Results for FY2009

With the sudden onset of the global recession in 2008, the Group rapidly implemented extensive cost reductions. At the same time, both production and sales were broadly adjusted to match declines in demand, including the idling of two blast furnaces by JFE Steel. Thereafter, however, the Group quickly capitalized on rising demand in fast-recovering Asian emerging economies, focusing on exports of high-end steel to these markets. As a result of such actions, JFE Holdings achieved a current-account surplus despite the severe business environment in FY2009.

On a consolidated basis, results for FY2009 included lower sales and earnings. The Group posted net sales of 2,844.3 billion yen, operating income of 88.7 billion yen, and ordinary income of 69.2 billion yen. The Group also posted an extraordinary profit of 1.6 billion yen. Income before income taxes and minority interests was 70.9 billion yen, and net income was 45.6 billion yen.

While working to ensure the JFE Group's sustainability, one of the Group's highest priorities is to return profit to shareholders through the payment of stock dividends. Our basic goal is a consolidated dividend payout ratio of approximately 25%.

In parallel with our emphasis on returns to shareholders, however, we remain cognizant of increasing uncertainties in the global economy, as well as the need to actively invest in future growth. Our policy for the foreseeable future

beyond FY2009, therefore, is to place top priority on the maintenance and improvement of the Group's financial condition. Accordingly, we declared a dividend of 20 yen for FY2009.

Business Environment and Issues

With little hope in Japan for a recovery in demand, and in the face of rapidly rising raw material prices, we expect business conditions to remain severe. The key to our future growth is to capture the expanding demand that is being forecast in Asian markets outside of Japan. While maintaining a close watch on business conditions, we are now ready to boldly pursue our growth strategy.

We are exploring various strategies designed to achieve sure, well-timed footholds in growing markets overseas. These include strengthening sales capabilities, deepening existing alliances, developing new partnerships, and making investments necessary to realize significant growth in the future. We are also working to further strengthen our financial condition to enable the Group to respond to opportunities with flexibility.

In line with our corporate vision of contributing to society with the world's most innovative technologies, we are accelerating development of new products that anticipate the needs of customers and society, while also continuing with the development of our "Only One" and "Number One" technologies and products in each business sector of the Group.

Consolidated sales
2,844.3
billion yen

Ordinary income
69.2
billion yen

Consolidated Operating Results (Billions of yen)

	FY2008	FY2009
Net sales	3,908.2	2,844.3
Operating income	407.8	88.7
Ordinary income	400.5	69.2
Return on sales (ROS)	10.2%	2.4%
Net income	194.2	45.6
Annual dividend per share	90 (yen)	20 (yen)

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

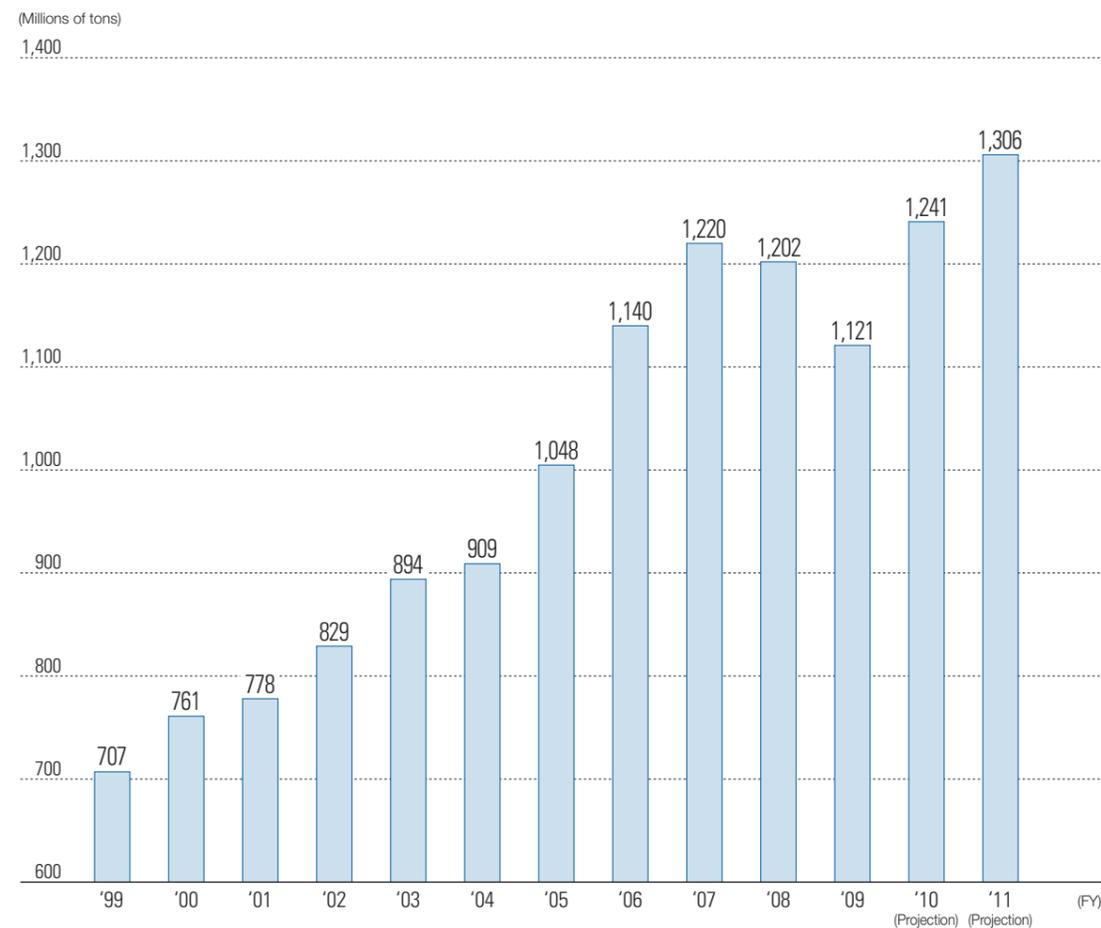


Plate mill (Kurashiki area)

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.

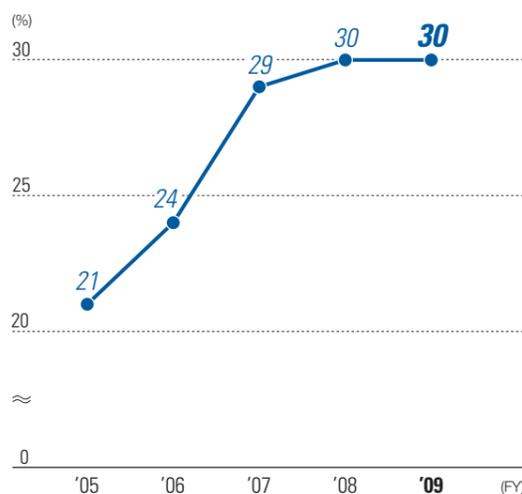


Customers' Solution Laboratory (CSL)
Established in the Chiba area in August 2005
Base of EVI (Early Vendor Involvement) activities for customers in automobile fields



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)

Net sales
294.2
 billion yen

Ordinary income
13.3
 billion yen



Sumiyuki Kishimoto
 President and CEO

Operating Results for FY2009

Business conditions for engineering business remained severe. For its part, JFE Engineering designated FY2009 as a year for building a business foundation capable of generating consolidated ordinary income of 10 billion yen annually. As such, we pushed ahead with efforts to select certain businesses, concentrate our efforts and decisively took various steps aiming to improve management efficiency.

As a result, we were able to report record-high consolidated ordinary income of 13.3 billion yen, despite lower year-on-year net sales of 294.2 billion yen. Contributors to our record-high profit included the reduction of fixed costs through the restructuring and consolidation of group companies and the reduction of project costs.

Consolidated Operating Results (Billions of yen)

	FY2008	FY2009
Orders received	328.3	279.2
Net sales	338.2	294.2
Operating income	4.6	13.3
Ordinary income	9.9	13.3

Business Environment

While some countries are beginning to recover from the global recession that began in the second half of 2008, there is still no evidence of an upturn in private-sector capital investment in Japan, and public investment is being re-examined and cut. The business conditions JFE Engineering is facing, therefore, are expected to remain severe during FY2010.

Even so, however, countries are steadily implementing policies to address global environmental problems. This is giving rise to demand in new areas—mainly related to the environment and energy—and to markets for new products to address environmental problems. At JFE Engineering, we are actively developing our technologies/businesses and aiming for growth in responding to these growing needs.

JFE Engineering's Strengths

JFE Engineering has spent years building up its technologies and products in the areas of the environment and energy, which form the core of its engineering business. We are among Japan's leading companies when it comes to performance in the adoption of natural gas as an energy source and the use of waste-generated energy, two practical approaches for achieving a low-carbon society. We are actively pursuing the development of technologies and products for using geothermal, biomass, and other forms of energy that are not yet mainstream.

We have steel structures and industrial machinery divisions, and a wide range of technologies within our Group. By leveraging our advanced engineering capabilities applicable to everything from the planning and design to the construction of facilities, we are able to provide comprehensive solutions.

Initiatives in FY2010

Many countries are beginning to take serious action in response to global environmental problems. Seizing on this development as a prime opportunity, we are actively developing our businesses, mainly in the areas of the environment and energy.

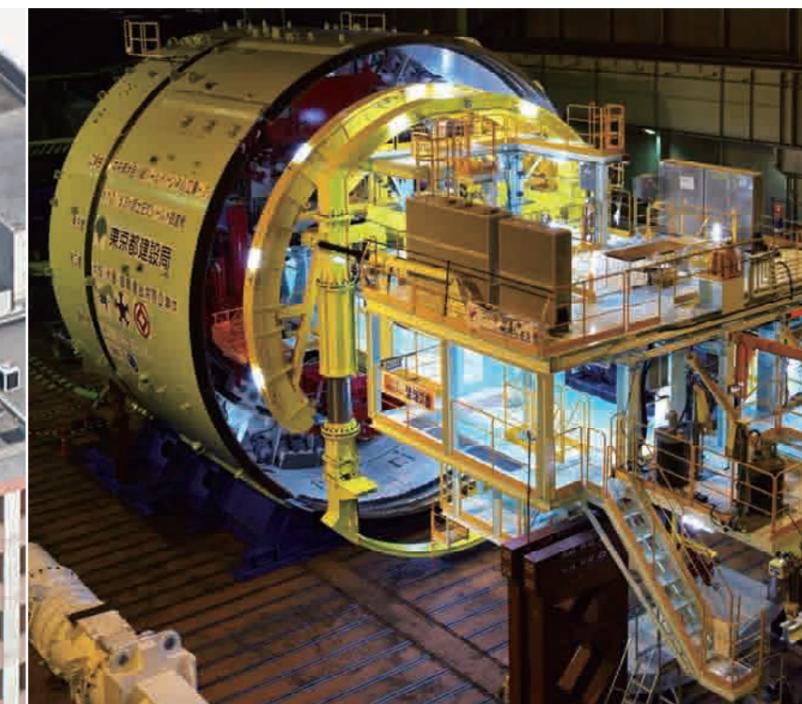
More specifically, we are improving our sales capabilities by revamping marketing and sales strategies for each product, and will create and introduce new products based on research covering the environmental policies and advanced technology trends in various countries. In addition, aiming to double the size of our overseas business as rapidly as practicable, we will establish offices or other facilities in China, Southeast Asia, India, Europe, and other areas where there are expectations for solid demand. We will also examine all possibilities for alliances as we work to maximize profits in each of our business areas.



Cycle Tree (multi-level mechanical bicycle parking system)
 Photo: Courtesy of The Tokyo Shimbun



Solar tracking power generation system installed in Yokohama Head Office Building



Shield machine

Net sales
286.7
 billion yen

Ordinary income
21.5
 billion yen



Shinjiro Mishima
 President and CEO

Operating Results for FY2009

With the delivery of 32 new vessels, and the impact of the expanded application of percentage-of-completion accounting, consolidated net sales came to 286.7 billion yen, an increase of 58% from a year earlier.

As for earnings, companywide efforts to improve profitability paid off with consolidated ordinary income of 25 billion yen for the year under review, versus a loss in the previous fiscal year.

Consolidated ordinary income (including the effects of goodwill amortization) for our shipbuilding business came to 21.5 billion yen.

Consolidated Operating Results (Billions of yen)		
	FY2008	FY2009
Orders received	101.9	59.4
Net sales	181.4	286.7
Operating income	(15.2)	21.0
Ordinary income	(14.9)	21.5

Business Environment

Following the financial crisis triggered by the collapse Lehman Brothers in the fall of 2008, the bottom fell out of the market for new merchant vessels during FY2009. Now, however, there are signs of a nascent recovery. The medium- to long-term outlook calls for a significant increase in seaborne trade driven by Asia-centered economic growth, thus boosting demand for shipbuilding.

Nevertheless, with shipbuilding capacity (centered in South Korea and China) still exceeding demand, severe conditions are likely to remain with regard to ship pricing, and material and equipment price movements will continue to merit close attention.

Universal Shipbuilding Corporation's Strengths

Universal Shipbuilding has built numerous merchant vessels with outstanding fuel efficiency, and has been highly praised by customers for its advanced development and excellent quality. Furthermore, we are one of only a handful of shipyards capable of building VLCC(Very Large Crude Carriers) and capesize bulk carriers.

That Universal Shipbuilding won the order to build the icebreaker *Shirase*, which was delivered in May 2009, is an endorsement of the ice engineering we have developed over the years, and our construction of three successive Antarctic exploration vessels, including the *Fuji* and the first *Shirase*, shows that our technology is without equal.

Furthermore, the minesweeper currently under construction in our Keihin Shipyard is an "Only one" product incorporating a construction technology found at no other Japanese com-

pany. Our application of FRP (fiber-reinforced plastic)-sandwich technology to hull structure is a first in Japan.

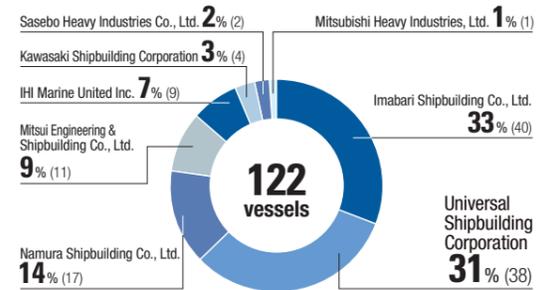
Initiatives in FY2010

Amid intense competition with Chinese and South Korean rivals, we are pursuing management focused on improving profitability and ability to win orders. More specifically, we are working to cut costs whenever possible on work we are already performing and putting in place systems that will allow us to accelerate the development of, and deliver ahead of our rivals, the environmentally friendly, energy-efficient vessels that are coming into greater demand throughout the world. In taking these steps, we are aiming to establish ourselves and secure stable earnings as the world's top shipbuilder of large tankers and bulk carriers—our two main products. Along the way, we will also continue to consider partnerships with other companies.



Ducted variable-pitch propeller and flapped rudder

Japanese Shipbuilders' Newbuilding Deliveries, 2007-2009, for VLCCs and Bulk Carriers over 150,000 deadweight tons



Shipbuilding dock (Ariake Shipyard)



200,000 DWT type Capesize Bulk Carrier



Noriaki Shigemi
President

Operating Results for FY2009

On the strength of factors such as an increased delivery of condominiums, JFE Urban Development Corporation recorded a year-on-year increase in consolidated net sales, to 26.9 billion yen. Nevertheless, a consolidated ordinary loss of 1.8 billion yen reflected the condominium market's overall downward trend despite some improvement seen during the year.

Initiatives in FY2010

We generally achieved our initial business goals by productively using, and thereby enhancing the value of, idle Group-owned property, mainly through condominium projects. Looking ahead, we will seek to implement the most efficient group-wide operating system primarily by making use of real estate currently owned by the Group.

Operating Results for FY2009

Kawasaki Microelectronics' consolidated net sales fell to 24.6 billion yen due to the continuously tough market. An ordinary loss of 900 million yen was less than in the previous year, as a result of reducing fixed costs by strengthening the business structure.

Initiatives in FY2010

Through sweeping structural reforms including the closing of our Utsunomiya Works in FY2009, we have created the conditions that will allow us to achieve solid profitability. We will make the most of our technological advantages, work to stabilize our earnings base, and decide upon a business direction that will permit sustained growth.



Yukio Yamauchi
President and CEO

Social Responsibility

Society

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

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

Information on the following initiatives is provided here in this report and on our website.

CSR Management

- CSR System
- Major CSR Activities for FY2009
- CSR Audit

Risk Management

- Risk Management System
- Elimination of Antisocial Forces
- Information Security System

Compliance

- About Compliance
- Efforts for Raising Compliance Awareness
- Report Concerning the Antimonopoly Law

Customers and Clients

- Quality Assurance System
- Improvement of Customer Satisfaction (CS)

Shareholders and Investors

- Basic Policy for Returns to Shareholders
- Basic Policy for Information Disclosure
- Communication with Shareholders and Investors

Local Communities

- Philanthropic Activities by the JFE 21st Century Foundation
- Support for External Organizations
- Aid for Disaster Relief
- Youth Development Support
- Plant Tours

Employees

- Application of Human Resources
- Positive, Productive Working Environments
- Development of Dynamic Work Environments

Internal Awards and External Praise

- Internal Awards Program
- External Awards

Social Performance Report



For further information on our activities regarding social responsibility, please download our Social Performance Report (PDF, e-book).

www.jfe-holdings.co.jp/en/society/report.html

CSR System

The JFE Group is acutely aware of its responsibilities as a member of society. Meeting corporate social responsibilities (CSR) to help create a better society is a core element of the way we manage our businesses, and our efforts have been redoubled in this regard. In October 2005, we established the JFE Group CSR Council (chaired by the President and convened quarterly every year) at JFE Holdings. This council is structured to supervise and guide the JFE Group's CSR activities toward various issues, including compliance, the environment, personnel/labor, safety, disaster prevention, social contribution, and response to antisocial forces.

We have also established the JFE Group Compliance Committee, JFE Group Environmental Committee, JFE Group Internal Control Committee, and other group-level organizations to deliberate matters in assigned areas and report findings and results to the JFE Group CSR Council.

CSR Audit

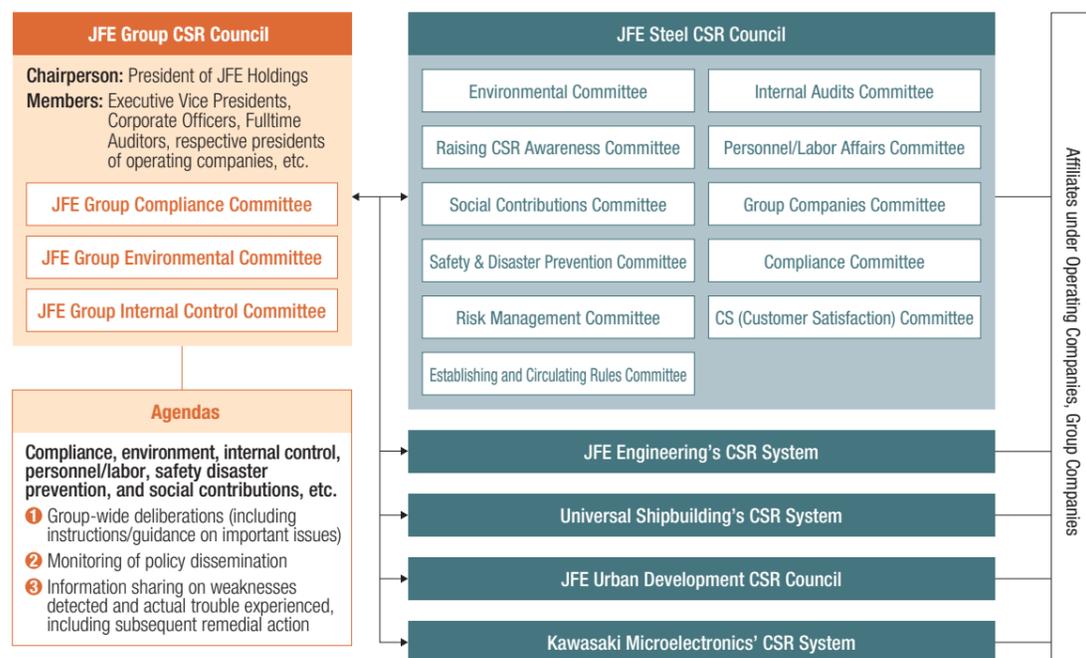
To ensure that activities with CSR significance are properly handled, the JFE Group's internal auditing department incorporates CSR themes like environmental management, compliance with the Antimonopoly Law, expense management, overseas office management, tax law compliance, and safety management in its operational audit. These elements are then examined and verified as part of the auditing process.

If an audit reveals a problem, JFE Holdings' internal audit department and the operating companies then work together to share information within the Group and reflect corrective measures in the CSR activities of group companies.

JFE Steel's Environmental Audit

At JFE Steel, environmental management is a key concern in business activities. Consequently, the internal audit department, regularly audits environmental management systems and compliance with regulations governing water quality, air quality, noise, and industrial waste at JFE Steel and its group companies. Through FY2009, audits had been performed at a total of 221 JFE Steel business locations.

CSR Structure



Risk Management System

The JFE Group has implemented risk management measures to prevent risks to its operations and allow it to continue operating even in the event of an emergency.

For example, the Risk Management Committee established by JFE Steel in FY2006 oversees each department's efforts to identify, assess, and consider ways of addressing significant risks.

About Compliance

At the JFE Group, compliance—the foundation of CSR—is a key management concern, and we have taken various steps to ensure that all employees have embraced the importance of compliance and are working to promote it.

Efforts for Raising Compliance Awareness

Corporate Ethics Hotline

The JFE Group has established its Corporate Ethics Hotline to help ensure that important information regarding compliance is communicated from the front lines to top management rapidly and accurately. This hotline is operated based on regulations and rules for protecting people who report information or seek advice.

Compliance Guidebook

As part of its efforts to strengthen its compliance-related initiatives, the JFE Group has prepared its Compliance Guidebook, which has been distributed to, and is understood by, all employees and executives. This guidebook was issued in June 2006, and supplemental versions followed in 2007 and 2009.

The guidebook demonstrates over 100 case studies in plain words, in order to explain employees our specific standards, which instruct how to act by complying with laws and regulations as well as internal rules based on the society's norm.

Compliance Training

To ensure thorough compliance, the JFE Group conducts compliance training on individual topics like the Antimonopoly Law, prevention of insider trading, Security Export Control, and the Construction Business Act.

Rule Education Activity

JFE Steel has designated October as "Compliance Month." During this month, individual worksites conduct a "rule education activity" which encourages employees to know, think, and gain a better understanding of the rules of JFE Steel, including their objectives and meanings.

Report Concerning the Antimonopoly Law

JFE Engineering sued the Japan Fair Trade Commission to overturn its 2006 cease-and-desist order regarding an alleged violation of the Antimonopoly Law concerning a 1998 incinerator project. JFE Engineering's appeal to the Supreme Court was rejected in October 2009, and the company is now complying with the original cease-and-desist order.

Separately, JFE Steel and JFE Engineering, regretting their past violations of the Antimonopoly Law, continue to implement thorough recurrence prevention measures aimed at eliminating the possibility of future violations. Their group companies have also implemented measures to prevent violations of the Antimonopoly Law.

Key Initiatives Undertaken by Both Companies

- Commitments by top management
- Antimonopoly Law training aimed at promoting understanding of the law and based on concrete examples of the serious impacts violations can have on companies and individuals
- Revision of work regulations to specify violation of the Antimonopoly Law as a cause for discipline
- Strengthening of rules on contacts with other companies in the same industry

Copies of Compliance Guidebook distributed (2009 supplemental version)

About **68,000** copies

Number of cases the Corporate Ethics Hotline handled in FY2009

35

Quality Assurance System

JFE Steel

JFE Steel has acquired ISO 9001 and various other QA certifications including the JIS mark and approvals from ship classification societies.

The company is working hard to ensure thorough rule compliance and improve testing reliability in accordance with industry guidelines. It is also moving forward with efforts to further improve quality and strengthen its quality management system, under a quality control framework standardized with quality control manuals. Group companies are also working to reinforce quality assurance systems and constantly improve quality.

JFE Engineering

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

Based on the Group-wide quality assurance system, each business department has obtained ISO 9001 qualification by developing QA manuals according to the characteristics of each product. In this way, the company aims to meet its customers' rigorous needs for product quality.

Universal Shipbuilding

Universal Shipbuilding has earned various certifications at each of its shipyards. These include ISO 9001, as well as qualifications of ship classification societies, and the Japanese government.

Each group company has established a quality assurance system, which complies with these standards, as the basis for efforts to ensure product quality that satisfies customers, through all processes from sales, design, and ship building to follow-up services.

Improvement of Customer Satisfaction (CS)

Aiming to improve customer satisfaction, the JFE Group actively communicates with customers. Furthermore, we continue to make earnest efforts to be a reliable and attractive supplier by offering solutions to customers' various requirements, through our product development, manufacturing, and sales departments.

CS Improvement Examples

JFE Steel	<ul style="list-style-type: none"> Establishment of a research and testing facility where products can be developed together with customers Development of customer strategies Development of sales personnel who excel in building and maintaining customer relations Implementation of a new operation system
JFE Engineering	<ul style="list-style-type: none"> Implementation of customer satisfaction surveys Reflection of customer feedback in product and construction quality Strengthening of product development and follow-up service systems
JFE Urban Development	<ul style="list-style-type: none"> Detailed, rapid response by the company's Customer Center Strengthening of personal information protection
Other JFE Group Companies	<ul style="list-style-type: none"> Performance of appropriate export procedures Participation in Eco-Products 2009



Training session



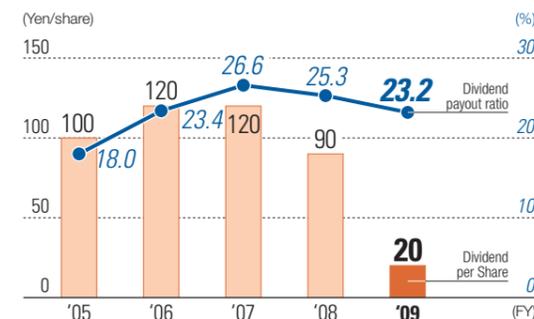
Eco-Products 2009

Basic Policy for Returns to Shareholders

The JFE Group considers generating returns to its shareholders to be one of its top management priorities, and achieved a consolidated payout ratio of 25% for the three years of the Second Medium-Term Business Plan (April 2006–March 2009). In addition, our own share buybacks have exceeded 400 billion yen during the same period; as a result, the total return ratio has reached 80%.

Looking ahead, we will continue our efforts to ensure the stable payment of dividends through the establishment of a sustainable corporate financial position for the entire Group. In other words, we will aim to maintain a basic payout ratio of 25% level. Considering the increasing uncertainty surrounding the global economy and the need for aggressive investments to foster our business growth, we will strive to maintain and improve our solid financial position first.

Returns to Shareholders



Basic Policy for Information Disclosure

The JFE Group, as a proponent of sound securities markets, strives to provide timely and appropriate disclosures of corporate information. To disclose corporate information in a manner that is prompt, precise, fair and appropriate from the viewpoint of investors, we also endeavor to enhance our internal framework.

Communication with Shareholders and Investors

Communication with Shareholders

JFE Holdings, seeing its General Meeting of Shareholders as a chance for dialogue with shareholders, sends invitations at the earliest possible date in an effort to maximize attendance and avoid days on which shareholder meetings are concentrated when setting the meeting date. For the benefit of shareholders who cannot attend, the Company, in addition to the normal proxy form, has also made it possible to exercise voting rights online.

Communication with Investors

For institutional investors and securities analysts, the JFE Group gives individual press interviews and has its people visit domestic and overseas investors. Regarding the results briefing sessions for institutional investors, we strive for fair disclosure through activities such as online publication of materials.

Information Dissemination

JFE Holdings is devoted to enhancing the content of its website to help shareholders and investors earn a better understanding of its business. Up to the present, our website has been accessed by large numbers of visitors. The company also issues the information "For Shareholders" semiannually, with a message from the President & CEO, a summary of business results, and discussions of matters related to the JFE Group.



Website



"For Shareholders"

Dividend payout ratio for April 2007–March 2010

25% (average)

Number of shareholders attending the General Meeting of Shareholders in FY2009

1,817

Number of participants for guided plant tours for shareholders

Approx. 9,400

Number of individual interviews with institutional investors and securities analysts in FY2009

Approx. 400

Number of company briefing sessions for private investors held at securities company offices in FY2009

Approx. 300 (6 sessions)

Total grants for technical research

394 projects

790 million yen

Total grants for Asian history studies

39 projects

58.5 million yen

Philanthropic Activities by the JFE 21st Century Foundation

The JFE 21st Century Foundation was originally established in 1990 as the Kawasaki Steel 21st Century Foundation. Taking on its current name in 2003, the foundation continues to fulfill its original mission of being open to society and promoting the common good. For FY2010, the



Presentation ceremony

foundation has a budget of 78 million yen.

Co-sponsoring Cultural Activities and Events

The Foundation co-sponsors various cultural activities and events hosted by local authorities and community groups, and enjoyed by the general public. In FY2009, it co-sponsored the following activities and events.

Activities in FY2009

- Jo Chihun Cup Go Competition (Chiba)
- Chiba Prefectural Youth Go Competition (Chiba, Funabashi)
- International Music Day Concert, Chiba Citizens' Music Festival (Chiba)
- Citizens' Special Performance of Beethoven Symphony No.9 (Chiba)
- MUZA Lunch & Night Concert (Kawasaki)
- ART KAWASAKI 2009 (Kawasaki)
- Community Festival (Kawasaki)
- Yokohama Children's International Peace Speech Contest (Yokohama)
- Handa Community Industrial Festival (Handa)
- Mie Prefecture High Schools' Robot Tournament (Tsu)
- Kurashiki Music Festival (Kurashiki)
- Kurashiki Shogi Tournament (Kurashiki)
- Fukuyama Rose Festival (Fukuyama)
- The World of Matsuri (Fukuyama)

Support for External Organizations

Support for the Japan Association for the UN World Food Programme

The Japan Association for the UN World Food Programme is an NPO accredited as a supporter of the UN World Food Programme (WFP), a United Nations organization with the mission of eliminating hunger and poverty. It conducts promotional activities to help expand the circle of WFP support in Japan, including collecting donations to assist WFP activities, conducting public relations activities, and promoting cooperation with companies and organizations. Amid rapidly rising numbers of people suffering from hunger due to global economic upheaval and relentless food price hikes in developing countries, the JFE Group agrees with and supports the intent of the association's activities.

Support for Japanese Language Speech Contests

The China Education Association for International Exchange, The Society of Chinese Professors in Japan, and Nikkei Inc. have been sponsoring the All China Japanese Speech Contest since 2006. The purpose of this contest for Chinese students is to use words and communication as a vehicle for promoting better relations between Japan and China. For this contest, the first of its kind held at a national level in China, preliminary rounds are held in eight regions and the final round is held in Tokyo. JFE Holdings supports this speech contest as a way to promote international exchange and contribute to society.



All China Japanese Speech Contest

Support for the Japanese Foundation for Cancer Research

Since its establishment in 1908, the Japanese Foundation for Cancer Research, in pursuit of

its mission to overcome cancer, has played a leading role in cancer research and treatment, as well as human resources development, in Japan. JFE Holdings supports the Foundation's goals and activities.

Aid for Disaster Relief

The JFE Group provides financial assistance to support the recovery of areas stricken by major disasters.

- For the Great Sichuan Earthquake Contributed 20 million yen to the Japanese Red Cross Society via Nippon Keidanren
- For the Iwate-Miyagi Nairiku Earthquake Contributed 3 million yen to the Central Community Chest of Japan
- For the Haiti Earthquake Contributed 1 million yen to the NPO, Japan Platform

Youth Development Support

Internships

JFE Steel has offered internships to graduate school, university, and technical college students at its steelworks and research facilities. Approximately 70 students from throughout Japan participated in these nearly 2-week internships in which they learned through experience what it is like to work at a steelworks or research facility. Both schools and students praised these internships as excellent opportunities to learn about possible career choices and involvement in society.

JFE Engineering hosted 10 interns, mostly at its Technical Research Center, while Universal Shipbuilding welcomed 20 interns each to its Ariake and Tsu Shipyards.

Manufacturing Classroom

Since FY2003, JFE Steel has been working to communicate to children in the Chita area of Aichi Prefecture that making things is interesting and fun. Its retired employees teach and help children to make accessories out of cast parts and lead them on plant tours.

Plant Tours

The JFE Group annually opens up its manufacturing facilities to local residents for demonstrations, tours, and other events.

We also make our recreational facilities available to the public to promote local sports activities, and sponsor soccer, baseball, volleyball, basketball, and other sporting events.

JFE Steel

JFE 2009 Chiba Festival	October 25, 2009	East Japan Works, Chiba
Fifth Community Festival	November 8, 2009	East Japan Works, Keihin
JFE West Japan Festival in Kurashiki	November 3, 2009	West Japan Works, Kurashiki
JFE West Japan Festival in Fukuyama	May 10, 2009	West Japan Works, Fukuyama
Handa Community Industrial Festival (Handa)	November 14, 2009	Chita Works

JFE Engineering and Universal Shipbuilding

Autumn Festival in Tsu	October 17, 2009	Co-sponsored by JFE Engineering Tsu Works and Universal Shipbuilding Tsu Shipyard
------------------------	------------------	---

Universal Shipbuilding

Ariake Family Festa	October 3, 2009	Ariake Shipyard
---------------------	-----------------	-----------------



Community Festival (Keihin)



Autumn Festival in Tsu City

Number of visitors to the events held by group companies in FY2009

398,000

Application of Human Resources

Passing on of Techniques and Skills, and Re-Employing Retirees

With its individual steelworks all expressing the desire to continue applying the valuable know-how of veteran employees, JFE Steel created its Senior Expert Program for rehiring employees who reach the mandatory retirement age of 60. As of April 2010, JFE Steel had rehired approximately 770 retirees under this program.

The JFE Engineering Group also has a similar re-employment system to pass on to younger generations the techniques, skills, and project experience of veteran employees. It has also established the Career Consulting Section to help employees who are facing mandatory retirement or a second retirement after re-employment to continue their careers.

Universal Shipbuilding, meanwhile, has veteran employees over the age of 60 instruct younger employees on a daily basis in order to pass on techniques and skills as expeditiously as possible. The company has also established a department in charge of technical assistance, and assigns a mentor for each young worker to provide technical guidance.



Passing on skills to the next generation (Universal Shipbuilding)

Human Resource Development

To develop professionals who are expert in particular areas, JFE Steel has put together an OJT-based training system and has enhanced its off-the-job training program and overseas study system.

In addition to personnel training, JFE Engineering has adopted an internal recruiting system in order to optimize the best-fit allocation

of personnel and make the most of their untapped capabilities.

Helping Women to Thrive

While the JFE Group has, of course, established an equal-pay system in accordance with the intent of the Equal Employment Opportunity Act for Men and Women, we also consider the creation of working environments in which women can thrive to be a top priority. Toward that end, we are working to not only increase our hiring of women but also improve their working conditions.

Work-Life Balance

The JFE Group is striving to create pleasant, productive working conditions, and make itself an even more attractive employer.

JFE Steel's Main Family-Friendly Employment Policies

1. Extended Child Care Leave

Employees can take extended child care leave until their child reaches 18 months of age. Thereafter, under certain circumstances such as difficulties in finding a vacancy at a nursery, an additional extension will be allowed to the end of March of the year immediately after the period of 18 months expires.

2. Abbreviated Working Hours for Child Care

Under this system, employees may work 2 fewer hours per day until their child finishes the third year of elementary school.

3. WLBS (Work-Life Balance Support) Leave

Under this system, employees with one child may take up to 5 days of leave per year until their child finishes elementary school. Employees with more than one child may take up to 10 days of leave per year.

Employment of People with Disabilities

To provide opportunities for people with various disabilities to fully exercise their capabilities, the JFE Group operates three special subsidiaries: JFE Apple East Corporation, JFE Apple West Corporation, and Mie Data Craft Co., Ltd. All of these companies actively work to hire people with disabilities and create working environments that allow them to thrive.

Positive, Productive Working Environments

Respecting Human Rights

The JFE Group regards respect for human rights as both a corporate social responsibility and a key management concern, and involves the entire Group in efforts to raise consciousness of human rights.

Specific examples of these efforts include: 1) Appointment of employees to oversee human rights education; 2) Implementation of various human rights training courses; and 3) Guaranteed employment opportunities, and promotion of fair human resource management.



Human rights training (JFE Steel)

Employee Health and Safety

Providing for the safety and health of employees is a basic requirement for manufacturers and fundamental to the continued existence of a company.

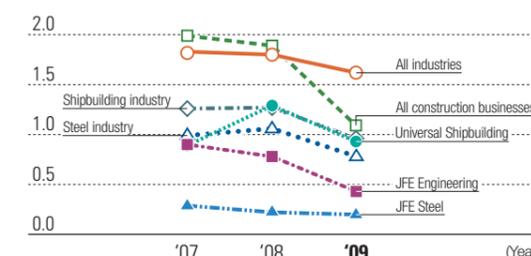
Based on its fundamental philosophy of "safety first," JFE Steel has been striving to enhance and strengthen its safety measures under themes such as advancing activities to resolve health and safety issues in communities and workplaces; promoting mental and physical health; and strengthening health and safety activities at group companies.

JFE Engineering pursues activities that, for example, seek to achieve safety through risk assessment and promote mental and physical health at the approximately 2,000 construction and other work sites operated by its group throughout the country. Its overall aims are to eliminate accidents and improve safety and health conditions.

Universal Shipbuilding, based on fundamental philosophy of "safety first," strives to enhance, improve, and strengthen its safety and health

measures by setting up specific promotional targets. These include active and effective implementation of OSHMS (Occupational Safety and Health Management System) practices by every employee; activities to ensure the primacy of safety and health in the workplace; and promotional activities to create comfortable working environments and promote mental and physical health.

Rate of Lost-Worktime Injuries at JFE Steel, JFE Engineering, and Universal Shipbuilding



Disaster-Prevention Measures

Each member of the JFE Group conducts disaster-prevention training regularly. In particular, to further strengthen its disaster-prevention system, JFE Steel is advancing efforts to identify issues to be solved, as well as verify necessary items, to help ensure the continuing operations in the event of a disaster.

Health Management

The JFE Group is engaged in health management initiatives intended to ensure that all employees can fully exercise their capabilities while maintaining healthy minds and bodies.

JFE Group Initiatives

1. Thorough implementation of preventive measures for workplace-related illness (improvement of working environments, ensuring appropriate work demands, and early detection and treatment through examinations)
2. Regular physical examinations
3. Advice for employees for whom a physical examination has detected a problem
4. Treatment and follow-up by partner hospitals and their networks
5. Mental health care (establishment of counseling services, education of managers, care for those in need, etc.)

JFE Steel
Number of employees taking human rights training courses in FY2009

2,675

Rate of lost-worktime injuries in 2009

JFE Steel
0.21

JFE Engineering
0.43

Universal Shipbuilding
0.93

Employment rates for people with disabilities (as of June 2010)

Legally-prescribed minimum employment rate of persons with disabilities 1.8%

JFE Steel
1.99%

JFE Engineering
2.06%

Universal Shipbuilding
1.40%

Kawasaki Microelectronics
3.33%

Preserving the Global Environment

The JFE Group environmental philosophy is:

“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.” Based on this philosophy, we constantly better our efforts for global environmental conservation and aim for the development of a corporation in harmony with the environment.

Environmental Philosophy

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

Environmental Policy

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

Environmental Sustainability Report



For further information on our activities regarding environmental aspect, please download our Environmental Sustainability Report (PDF, e-book).

www.jfe-holdings.co.jp/en/environment

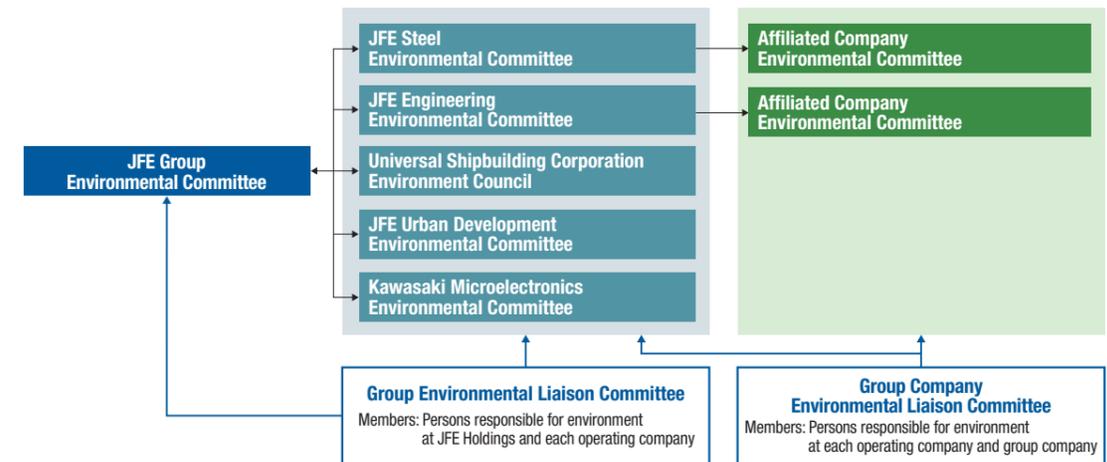
Environmental Management System

Construction and Operation of the Environmental Management System

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

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

Environmental Management System



Environmental Accounting

In FY2009, environment-related capital investment totaled 30.6 billion yen and expenses amounted to 90.4 billion yen. The ratio of environment-related capital investment against

total capital investment is approximately 18%. As a result of activities during FY2009, the effects of energy conservation were valued at an estimated 0.8 billion yen.

Cumulative Energy-Efficiency Investments (April 1, 2009, to March 31, 2010)

(Billions of yen)

Description		Investment	Expenses	
Investment & expenses related to JFE's own business	Management	Monitoring & measurement of environmental influence, EMS-related activities, environmental education & training, etc.	0.2	2.4
	Prevention of global warming	Energy conservation, effective use of energy, etc.	13.6	23.6
	Effective use of resources	Recirculation of industrial water, recycling of by-products & waste generated in-house, waste management, etc.	11.9	18.2
	Environmental protection	Prevention of air pollution, water pollution, soil contamination, noise, vibration, ground subsidence, etc.	4.4	38.0
	Miscellaneous	Fees/charges, etc.	-	1.5
Investment & expenses related to customers and society	Research & development	Technology development for environmental protection, energy conservation, prevention of global warming	0.5	6.1
	Social activities	Protection of nature, support for afforestation, information disclosure, exhibitions, advertising, etc.	-	0.6
Total		30.6	90.4	

Environmental accounting data stated above was calculated on the basis of the following assumptions. Above costs are environment-related investments and expenses at JFE's steelworks, except the item of research & development, for which the scope is extended to cover the entire Group.

* The effects in environmental accounting such as expected effects and risk avoidance effect 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 resulted in a net energy saving compared to the former process.



Priority Environmental Targets and Results

* In the column "Refer to Pages," the number preceded by BR represents the corresponding page number in the "JFE Group Business Report 2010" and the ER number in the "JFE Group Environmental Sustainability Report 2010" respectively. The "JFE Group Environmental Sustainability Report 2010" can be downloaded from our website.

www.jfe-holdings.co.jp/en/environment

Group Companies	FY2009 Priority Environmental Targets	FY2009 Results	FY2010 Priority Environmental Targets	Refer to Pages
JFE Steel	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 FY1990, we plan to achieve a 10% decrease in energy consumption for the period from FY2008 to FY2012) 	<ul style="list-style-type: none"> Approx. 12% reduction in energy consumption, and approx. 20% reduction in unit energy consumption compared to FY1990 Commenced Kurashiki CDQ operation in March 2009 Built new high-efficiency oxygen facility (Kurashiki) Upgraded blast furnace stoves to energy-efficient types (Fukuyama and Kurashiki) 	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 FY1990, we plan to achieve a 10% decrease in energy consumption for the period from FY2008 to FY2012) 	BR53-58 ER3-10
	Continuously strive to reduce environmental risks <ul style="list-style-type: none"> Comply with new laws and regulations Promote voluntary environmental conservation activities 	<ul style="list-style-type: none"> Built new wastewater treatment facilities (in order to comply with stricter restrictions on nitrogen in Chiba region) Continued voluntary control measures for VOC reduction 	Continuously strive to reduce environmental risks <ul style="list-style-type: none"> Comply with new laws and regulations Promote voluntary environmental conservation activities 	ER19-20
	Promote byproduct recycling <ul style="list-style-type: none"> Continue development of recycling technology for dust and sludge and implementation of actual equipment 	<ul style="list-style-type: none"> Commenced operation of dust recycling facilities (Fukuyama) 	Promote byproduct recycling <ul style="list-style-type: none"> Continue development of recycling technology for dust and sludge and implementation of actual equipment 	BR60 ER21 ER39-40
	Improve waste control <ul style="list-style-type: none"> Introduce an electronic manifest system to the entire group, targeted at 80% computerization Develop a group-wide waste material collection system 	<ul style="list-style-type: none"> Introduced an electronic manifest system to over 90% 	Improve waste control <ul style="list-style-type: none"> Introduce an electronic manifest system to the entire group Develop a group-wide waste material collection system 	ER17-18 ER21
JFE Engineering	Promote energy-saving activities in production divisions <ul style="list-style-type: none"> Tsurumi Works: reduction of 13% compared to FY1997 (electric power consumption per hour of operation) Tsu Works: increase of 5% compared to FY1997 (electric power consumption per unit weight processed) Shimizu Works: a reduction of 24% compared to FY1997 (electric power consumption per unit weight processed) * An increase compared to FY1997 is anticipated for Tsu Works due to an increased usage of high current welding machinery. 	<ul style="list-style-type: none"> Tsurumi Works: reduction of 5% compared to FY1997 Tsu Works: increase of 9% compared to FY1997 Shimizu Works: reduction of 23% compared to FY1997 Total CO₂ emission of 3 works: 16,344 t-CO₂ 	Promote energy-saving activities in production divisions <ul style="list-style-type: none"> Tsurumi Works: reduction of 5% compared to FY1997 Tsu Works: increase of 4% compared to FY1997 Shimizu Works: reduction of 20% compared to FY1997 * An increase compared to FY1997 is anticipated for Tsu Works due to an increased usage of high current welding machinery. 	BR59 ER23-24
	Promote reduction of construction site waste <ul style="list-style-type: none"> Recycling rate of 74% or more 	<ul style="list-style-type: none"> Recycling rate of 86.2% 	Promote reduction of construction site waste <ul style="list-style-type: none"> Recycling rate of 80% or more 	BR59 ER24
Universal Shipbuilding	Promote measures to prevent global warming <ul style="list-style-type: none"> Target a 10% reduction in electric power consumption in basic unit within FY2010 compared to the level of FY1990 (scope: new shipbuilding shipyards) Target a 1% reduction in energy consumption in basic unit compared to the previous year (scope: group-wide level) 	<ul style="list-style-type: none"> Achieved a 22% reduction compared to the level of FY1990 Achieved a total of 7.6% reduction in 5 shipyards compared to the previous year Achieved a 7.6% reduction in CO₂ emission at the group-wide level with the emission amount of 67,084 t-CO₂ 	Promote measures to prevent global warming <ul style="list-style-type: none"> Target a 10% reduction in electric power consumption in basic units within FY2010 compared to the level of FY1990 (scope: new shipbuilding shipyards) Target a 1% reduction in energy consumption in basic units compared to the previous year (scope: group-wide level) 	BR59 ER25
	Reduce waste emissions <ul style="list-style-type: none"> Target the waste recycling rate to be 85% or more at the stage of production in FY2010 (scope: group-wide level) 	<ul style="list-style-type: none"> Achieved a group-wide waste recycling rate of 84.7%, a slight decline from the previous year 	Reduce waste emissions <ul style="list-style-type: none"> Target a waste recycling rate of 85% or more at the stage of production in FY2010 (scope: group-wide level) 	BR59 ER26
	Take measures to regulate VOC emissions <ul style="list-style-type: none"> Aim to meet an emission standard level of less than 700 ppmC (scope: coating facilities with an air-exhaust capacity of 100,000 m³/hour or more) 	<ul style="list-style-type: none"> Achieved a level of less than 700 ppmC of the emission standard at both the Ariake and Tsu Shipyards 	Take measures to regulate VOC emissions <ul style="list-style-type: none"> Aim to meet an emission standard level of less than 700 ppmC (scope: coating facilities with an air-exhaust capacity of 100,000 m³/hour or more) 	ER26
	Monitor chemical substances restricted under PRTR <ul style="list-style-type: none"> Monitor emission into the air as well as transfer to other places of the restricted chemical substances, particularly Xylene, Ethylbenzene, and Toluene (scope: 5 shipyards) 	<ul style="list-style-type: none"> The amounts of emission and transfer regarding 3 major chemical substances under control were almost the same as the previous year 	Monitor the chemical substances restricted under PRTR <ul style="list-style-type: none"> Monitor emissions into the air as well as transfer to other places restricted chemical substances, particularly Xylene, Ethylbenzene, and Toluene (scope: 5 shipyards) 	ER26
JFE Urban Development	Promote energy-saving activities in the condominium development business <ul style="list-style-type: none"> Acquire Housing Performance Evaluation Reports Anti-degradation of structural frames measure grade: Grade 3 Energy efficiency grade: Grade 3 Formaldehyde emission control grade: Grade 3 Promote the use of energy-conserving materials and facilities 	<ul style="list-style-type: none"> Acquired for all condominiums Adopted latent-heat-recovery water heaters and double-glazed windows 	Promote energy-saving activities in the condominium development business <ul style="list-style-type: none"> Acquire Housing Performance Evaluation Reports Anti-degradation of structural frames measure grade: Grade 3 Energy efficiency grade: Grade 3 Formaldehyde emission control grade: Grade 3 Promote the use of energy-conserving materials and facilities 	
	Promote measures to prevent global warming in the facility management business <ul style="list-style-type: none"> Renew energy-conserving equipment 	<ul style="list-style-type: none"> THINK: Renewed substations, etc. 	Promote measures to prevent global warming in the facility management business <ul style="list-style-type: none"> Renew energy-conserving equipment 	ER27
	Reduce waste emissions in the facility management business <ul style="list-style-type: none"> Improve the recycling rate of targeted commercial and business waste THINK: Recycling rate of 56.5% Orto Yokohama: Recycling rate of 50% 	<ul style="list-style-type: none"> THINK: Recycling rate of 77.7%, a 16.9% increase from the level of FY2008 Orto Yokohama: Recycling rate of 48.2%, a 0.3% increase from the level of FY2008 	Reduce waste emissions in the facility management business <ul style="list-style-type: none"> Improve the recycling rate of targeted commercial and business waste THINK: Recycling rate of 81.6% Orto Yokohama: Recycling rate of 49% 	
Kawasaki Microelectronics	With the closure of the Utsunomiya Works, review our activity themes and implement the following <ul style="list-style-type: none"> Target a 100% recycling rate for the wastewater treatment-origin dehydrated sludge Aim to reduce consumption of PRTR substances In addition, further improve the chemical substance control system for LSI products under EU-REACH 	With the closure of the Utsunomiya Works, wastewater and sludge discharges have ceased, as has the usage of PRTR substances.	Continue environmental protection activities at the head office building under the following themes <ul style="list-style-type: none"> Take preventive measures for global warming in building operations Conserve paper resources Reduce waste (construction byproducts) 	ER27



JFE Steel's Activities to Prevent Global Warming

—To Realize a Low-Carbon Society—

Message from Senior Management



Hiroshi Nishizaki

Vice President
JFE Steel Corporation

JFE Steel is constantly working to fight global warming.

FY2009 was the second year of the first commitment period for the Kyoto Protocol*1, and the 15th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP15) was held in Copenhagen in December 2009. Important developments, such as discussion of the Act on Promotion of Global Warming Countermeasures in the Diet in June 2010, have also taken place in Japan. While responding to these demands flow, JFE Steel will strive to take serious steps toward realizing a low-carbon society in accordance with the Group's Corporate Vision of contributing to society with the world's most innovative technology.

Examples of specific initiatives we have implemented are given below.

- Steady implementation of the Japan Iron and Steel Federation's (JISF's) Voluntary Action Program*2
- Introduction of new processes wherever possible to reduce energy consumption and CO2 emissions
- Further development and promotion of high-performance steel to reduce society's CO2 emissions
- Development of Ferro-Coke production process and other innovative technologies that anticipate the future

Initiatives for Achieving the Voluntary Action Program

Under our Second Medium-Term Business Plan (FY2006 – FY2008), we made approximately 100 billion yen in CO2 emission reduction and energy-efficiency investments to achieve goals stated in the JISF's Voluntary Action Program, and have seen steady improvements as a result. We continued to make such investments in FY2009. Examples of main investments made to date include:

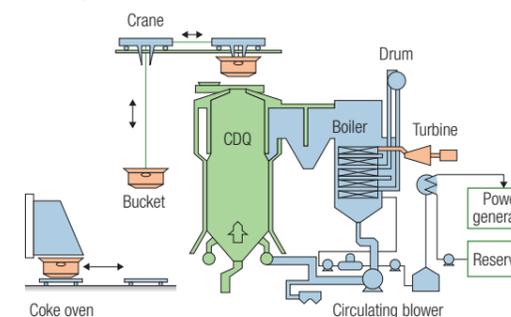
- Construction of a new CDQ (Commenced its operations in March 2009 at West Japan Works, Kurashiki)
- Construction of a new high-efficiency oxygen facility (West Japan Works, Kurashiki)
- Upgrade of blast furnace stoves to energy-efficient models (West Japan Works, Fukuyama and Kurashiki)

We are also taking energy saving actions on a continuous basis, such as conducting energy-saving patrols at our head office and business offices.



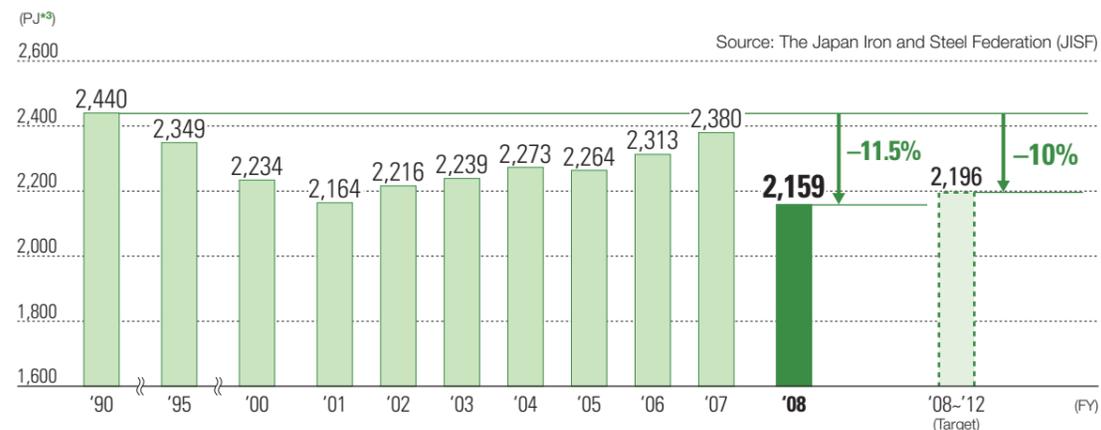
CDQ operation and exterior view

CDQ process



Progress of the JISF's Voluntary Action Program

During FY2008, energy consumption was reduced 11.5% compared to FY1990. As a supplementary measure to achieve program goals, JISF has made emission reduction purchase agreements of 56 million tons of CO2 in total under the Kyoto Mechanisms. Of them, 40 million tons has already been registered with the UN.



*1 First commitment period for the Kyoto Protocol
The period FY2008 to FY2012. The world's developed countries have committed to reducing greenhouse gas emissions by 5% compared to the 1990 level during this period.

*2 JISF's Voluntary Action Program
The goal of the JISF's Voluntary Action Program is to reduce average energy consumption during the period FY2008 to FY2012

by 10% compared to the 1990 level (premised on the production of 100 million tons of crude steel). As an additional initiative, the JISF has also established the goal of recycling 1 million tons of waste plastic, premised on the establishment of a collection system.

*3 PJ
Petajoule (10¹⁵ joules). 1PJ is equal to the amount of energy in 25,800kℓ of crude oil.





Unit energy consumption in comparison to FY1973
37% cut

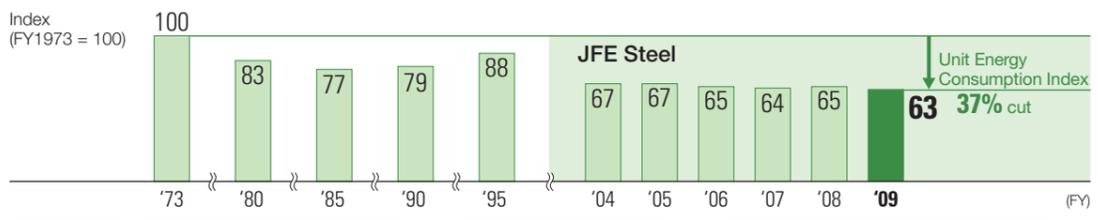
Approaches to Energy Saving and CO₂ Reduction

As shown in the graph below, JFE Steel has been working for a long time to use energy more efficiently and reduce CO₂ emissions. Our efforts include the recovery of by-product gases generated in the process of ironmaking and steelmaking and the use of CDQ*1 and TRT*2 to recover waste heat and pressure.

In FY2009, we worked to achieve even greater reductions in CO₂ emissions, despite production cutbacks, and succeeded in lowering our unit energy consumption to 37% of what it was in FY1973. As a result, JFE Steel has achieved world-class efficiency in energy consumption.

*1 CDQ (Coke Dry Quenching)
 *2 TRT (Blast Furnace Top Pressure Recovery Turbine Generation)

Unit Energy Consumption Index at JFE Steel



- History of Energy Saving Activities**
 - Introduction of energy saving equipment**
 - Reduction of reheating furnace fuel
 - Large-scale waste heat recovery equipment
 - BF top pressure recovery turbine (TRT), sintering waste heat recovery, etc.
 - Process continuation
 - Continuous casting line, continuous annealing line, etc.
- Further promotion of energy saving**
 - Waste plastics feeding into BF
 - Introduction of regenerative burner
 - Endless rolling
 - City gas blowing technology for BF
 - High efficiency oxygen plant
- Global warming prevention measures by energy saving**
 - Added a new shaft furnace (commenced its operation in August 2008)
 - Enhanced CDQ (commenced its operation in March 2009)
 - Broader introduction of regenerative burner
 - Augmentation of high efficiency oxygen plant
 - BOF gas sensible heat recovery
 - Introduction of Super-SINTER™
 - Upgrade of blast furnace stoves

Multiple awards for energy saving

JFE Steel's ongoing efforts with regard to energy saving have received various awards for its contributions to society. In FY2009, our technical endeavors were again acknowledged with the following awards.

- Contribution Prize of the 42nd annual Ichimura Industrial Awards for development of high-strength steel with high earthquake resistance.
- 56th Okochi Memorial Production Prize for development of nano-scale surface-treated high-performance steel sheet for automobiles.

JFE Steel's Super-SINTER™ selected as a Low CO₂ Kawasaki Pilot Brand

Three JFE Group technologies, including JFE Steel's Super-SINTER™, were selected as Low CO₂ Kawasaki Pilot Brands by the City of Kawasaki for FY2009. This is the first year for the awarding of this designation, which recognizes technologies and products that are particularly effective in reducing CO₂ emissions and were researched, developed, and created in the City of Kawasaki. Super-SINTER™ is a technology for infusing hydrogen-based fuel into a sintering machine, and JFE Steel was the first company in the world to

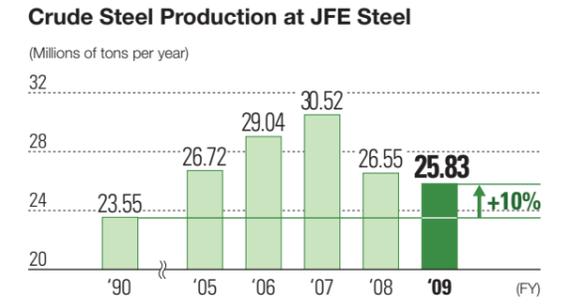
succeed in applying this type of technology commercially. Our East Japan Works (Keihin) has been using Super-SINTER™ technology since January 2009.



Recognition at Kawasaki International Eco-Tech Fair 2010

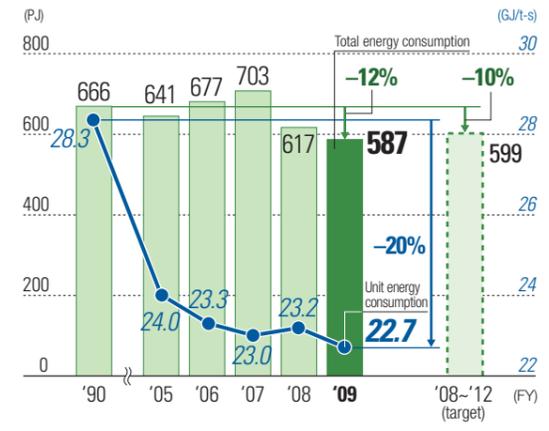
Crude Steel Production for FY2009

Crude steel production through the first half of FY2009 fell sharply in response to the global economic decline that began in FY2008. Second-half production, on the other hand, recovered on strong export market conditions, leaving total production for the year basically unchanged from FY2008, and 10% higher than the figure for FY1990.



Energy Consumption and Unit Energy Consumption for FY2009

Energy Consumption and Unit Energy Consumption at JFE Steel (Estimates)



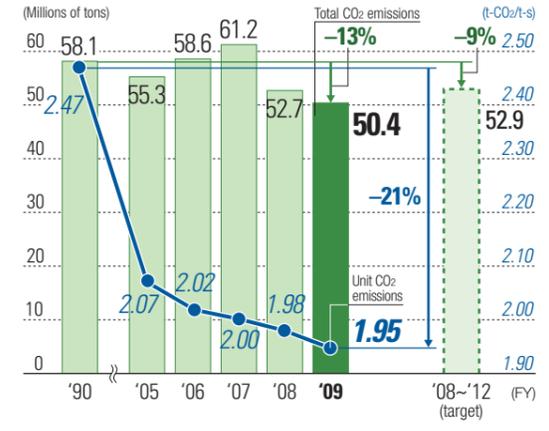
Even though our crude steel production for FY2009 increased by 10% compared to FY1990, our energy consumption fell by 12% in total and the amount of energy we used to produce 1 ton of crude steel (unit energy consumption) dropped by 20%.

The level of energy consumption still remains lower, an 8% decrease, when compared with that of FY2005 where the production volume of crude steel was almost the same level of that of FY2009.

Unit energy consumption in comparison to FY1990
20% cut

CO₂ Emissions and Unit CO₂ Emissions for FY2009

CO₂ Emissions and Unit CO₂ Emissions at JFE Steel (Estimates)



Even though our crude steel production for FY2009 increased by 10% compared to FY1990, our CO₂ emissions fell by 13% in total and the amount of CO₂ emissions we used to produce 1 ton of crude steel (unit CO₂ emissions) dropped by 21%.

The level of CO₂ emission still remains lower, a 9% decrease, when compared with that of FY2005 where the production volume of crude steel was almost the same level of that of FY2009.

Unit CO₂ emissions in comparison to FY1990
21% cut

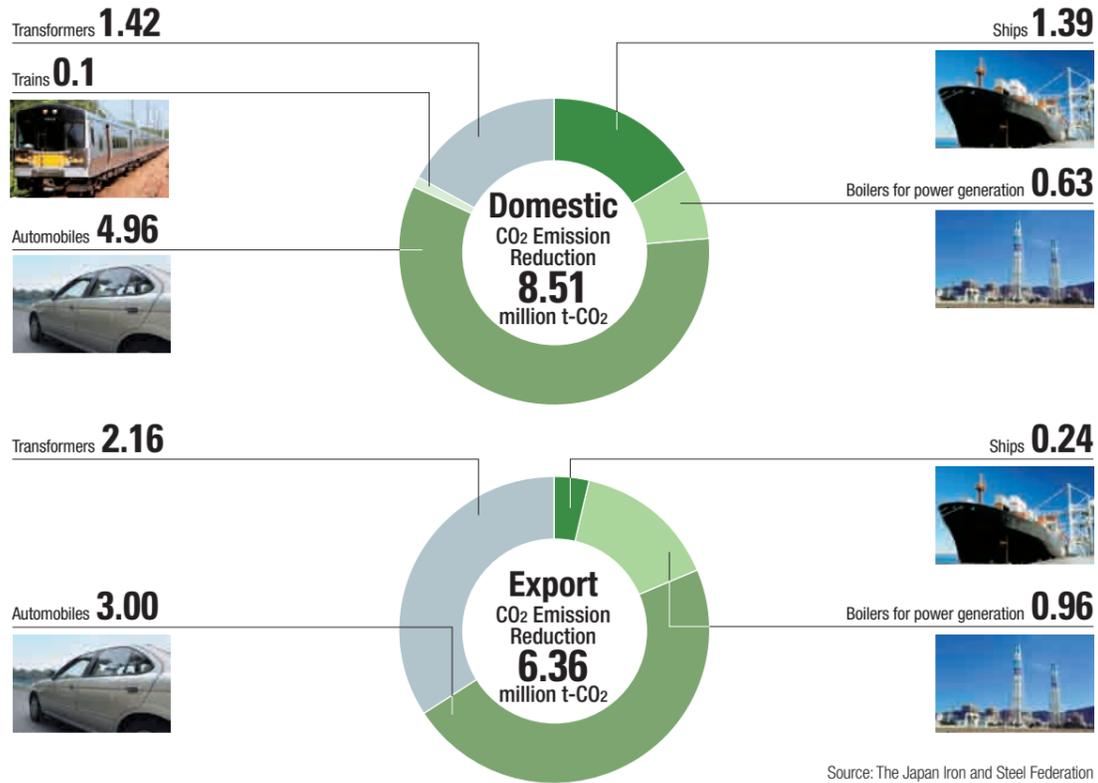
Contributing to the Reduction of CO₂ through Our Products

JFE Steel works with customers to help reduce CO₂ emissions not only in the development, production, and supply of the high-performance steel necessary to realize a low-carbon society and pursue economic interests but also in the application of that steel in end-products used by consumers.

Institute of Energy Economics, Japan, for FY2008, Japan Iron and Steel Federation member companies, by supplying 7.97 million tons of high-performance steel, reduced CO₂ emissions from the usage of products by consumers by upwards of 14.87 million tons (8.51 million tons domestically, 6.36 million tons overseas).

According to figures calculated by the

CO₂ Emission Reduction Effect at the Stage of Using High-Performance Steel Products (FY2008)

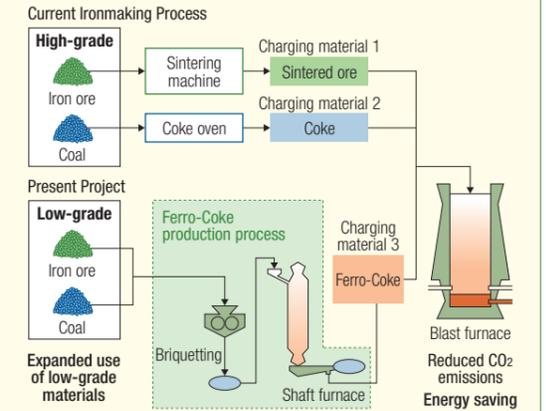


Source: The Japan Iron and Steel Federation

Construction of a Pilot Plant for Ferro-Coke Production Process at the East Japan Works (Keihin)

JFE Steel has decided to construct a pilot plant* as part of its effort to develop processing technology for Ferro-Coke production, which constitutes a novel approach for greatly reducing CO₂ emissions. Ferro-Coke is an innovative material that promises to not only improve the efficiency of iron ore reduction inside a blast furnace but also deliver significant reductions in the proportion of reduction agent used, thereby minimizing CO₂ emissions and energy consumption. This construction project is being pursued by JFE Steel and three other blast furnace companies aiming to develop new, more resource-efficient iron production technologies. It is being subsidized by the New Energy and Industrial Technology Development Organization (NEDO), and the project participants hope to perfect this new technology and commercialize it as soon as possible.

Innovative Ironmaking Technology Using Ferro-Coke



* Construction of the plant began in December 2009 at the East Japan Works (Keihin), with completion scheduled to take about two years.

Fighting Global Warming through Environmental and Energy Technologies

JFE Steel is fighting global warming by applying world-class energy-efficiency technology in global initiatives like APP*1 and worldsteel*2 activities, and through technical exchanges with China.

In addition, the JFE Group is contributing to international society by actively pursuing the development of technology overseas.

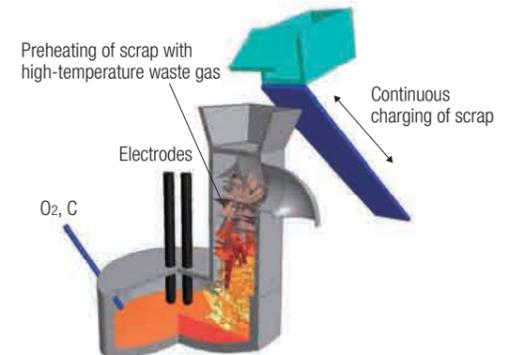
Environmental Technology Exchanges with China

The Japan Iron and Steel Federation (JISF) and the China Iron and Steel Association (CISA) have been holding the Japan China Steel Industries Conference on Exchange of Advanced Technologies on Environmental Preservation and Energy Saving annually since 2005. The fifth meeting, held on April 27 and 28, 2010 in Anshan City in the Chinese province of Liaoning, featured active discussions focused on environmental protection technology.

JFE Group's Overseas Technology Development

- **Waste Heat Recovery System for Sintering Plant**
This work, which is being undertaken as a NEDO energy efficiency model project in India, got under way in FY2009.
- **ECOARC™*3 Ecologically Friendly and Economical Arc Furnace**
With its effectiveness recognized internationally, ECOARC™ technology is set for introduction in Korea. In addition, the feasibility studies to introduce this technology in Thailand are currently underway.

Preheating of Scrap with ECOARC™ Technology



*1 **APP**
The Asia Pacific Partnership on Clean Development and Climate is an international organization founded in July 2005 to address climate change, energy security, and other issues. Its members include Japan, Australia, China, India, South Korea, the US, and Canada (joined in May 2007).

*2 **worldsteel**
The World Steel Association (worldsteel) is comprised of approximately 180 of the major iron and steel companies and industry organizations in 55 countries, including Japan, the US, EU-member states, and Russia.

*3 **ECOARC™**
A trademark of JP Steel Plantech Co.





Lowering Environmental Burden at JFE Engineering

Prevention of Global Warming

JFE Engineering has undertaken energy saving activities in its offices. It installed a 50kW solar power system and a 6kW solar-tracking power system at its Tsurumi Works. It is also working to reduce electric power consumption and use of cutting and welding gas in its production department. In FY2009, our CO₂ emissions were 16,300 tons.



Solar Power System installed at the Tsurumi Works

JFE Engineering's CO₂ Emissions



Promoting Recycling

JFE Engineering is working to promote recycling of office waste by, for example, clarifying separation rules and implementing recycling patrols. At construction and manufacturing sites, we are promoting reduction and recycling of industrial waste by means of thorough separation and revising recycling approaches.

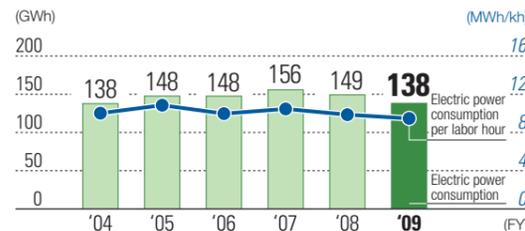


Lowering Environmental Burden at Universal Shipbuilding

Stopping Global Warming

Universal Shipbuilding is striving to cut its electric power consumption through efforts like turning off lights during lunch hours, reducing the standby power consumption of welding equipment, upgrading to high-efficiency equipment, and moderating temperature settings for heating and air-conditioning. In FY2009, we used a total of 138GWh of electricity for both production and office areas, 11GWh less than in the year before. We also achieved a slight reduction in electric power consumption per labor hour (MWh/1,000 hours).

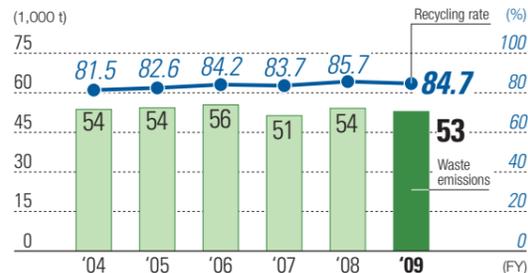
Universal Shipbuilding's Electric Power Consumption



Reducing Waste Generation and Disposal

Universal Shipbuilding's production department is working to reduce its waste generation and disposal through efforts aimed at improving waste separation, recycling, and reuse. These include installing additional waste separation bins and implementing on-site patrols. In our offices, we are promoting better waste separation and using paper that has already been used once to reduce and reuse office waste.

Waste Disposal Volume



Marine Environmental Activities



Reef restoration test in Indonesia (Photo provided by Professor Okamoto, the Tokyo University of Marine Science and Technology)

Using a Steelmaking Byproduct to Restore Marine Environments

JFE Steel uses slag, a steelmaking byproduct, to help protect marine environments.

Coral Reef Restoration Using Marine Blocks®

JFE Steel is developing technology for restoring coral reefs, which are in decline throughout the world due to bleaching and other causes. Marine Block®, developed by JFE Steel, is made of calcium carbonate, the primary material from which reefs are formed. Its porous feature with a rough surface makes it easy for coral to take hold and grow.

At the Japanese island of Miyakojima, Marine Blocks® and implantation devices also made of slag were used and successfully verified that they could support a complete reproduction cycle in which coral larvae took root, developed, and eventually spawned.

Seaweed Beds to Enrich the Ocean

Seaweed serves as an important habitat as well as spawning area for sea life and plays a big part in absorbing CO₂ and emitting oxygen.

Recognizing that seaweed serves these critical purposes, JFE Steel has proposed a project that would use Marine Blocks®, which are conducive to the growth of seaweed, to cultivate seaweed beds.



Fish together with coral growing on a Marine Block®



Coral growing on a Marine Block®



Fish together with seaweed *Ecklonia Cava* thriving on a Marine Block®

Environment

Recycling Technology Supporting a Sustainable Society

Amount of fluorescent tubes processed in FY2009 (total tube length is calculated in terms of straight 40W tubes)

20 million tubes

Amount of discarded home electronic appliances processed in FY2009

1.08 million products

Amount of container and packaging plastic (other plastics) successfully bid on in FY2010

100 thousand tons

Recycling Fluorescent Tubes

JFE is moving forward with the recycling of fluorescent bulbs and tubes at three recycling plants located in the cities of Yokohama, Sendai, and Fukuyama. Fluorescent bulbs and tubes have tiny amounts of mercury in them, which we safely remove, and recover along with glass, metal caps, and other parts.

All materials are recycled. Metal caps, crushed glass, and other materials are automatically separated and recycled into raw material for new products of glass, metal, and plastics. Fluorescent powder from which mercury has been removed is processed into ground cover materials, etc. and the mercury itself is transported to a special plant in Germany where it is refined for use in inorganic chemicals, and other products.



Blowing air into a fluorescent bulb to recover fluorescent powder



Glass recovered from fluorescent bulbs and tubes



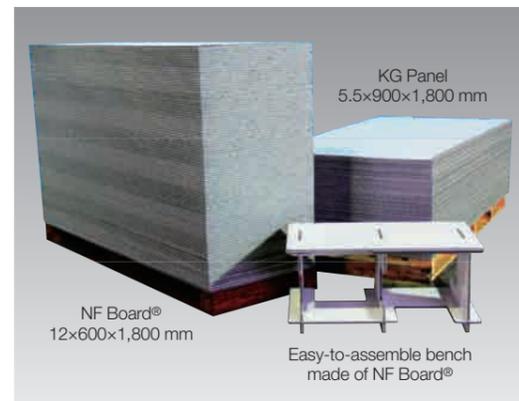
Metal recovered from fluorescent bulbs and tubes

RECO Board (NF Board®, KG Panel)

JFE recycles waste plastic containers and packaging as RECO Board (NF Board®, KG Panel) products.

NF Board® is a concrete forming mold at construction sites, which is much more durable than conventional wooden molds and can be used approximately 20 times. That means NF Board® reduces CO₂ emissions (about 45% lower than the conventional wooden molds), and helps to protect tropical rain forests.

Thin and lightweight, KG Panel is used as a display board for election posters, and many more new applications are under considerations.



RECO Board

Recycling Different Kinds of Used Products

The JFE Group is working to recycle various types of waste materials.

Through our efforts to recycle things as diverse as fluorescent bulbs and tubes, used plastics, used home appliances, and food waste, we are helping to promote a recycling-oriented society in Japan.

Third-Party Comments

JFE Group Social and Environmental Efforts



Yoshinao Kozuma

Professor, Faculty of Economics, Sophia University

1. Climate Change and Business Strategies

This business report definitively sets out the change in JFE Group's policy of tackling climate change. Although previous reports explained the environmentally friendly versions of its "Only One" and "Number One" technologies and products, it now shows us its intention to make these competencies more strategic, considering the trends of tightening environmental regulations in developed countries, and also the emerging markets that are being created by such developments. As a result the report explicitly details JFE's perspective on business opportunities related to climate-change issues. It seems that there has been a clear shift from treating climate change as a risk factor to incorporating it as a basic aim of business strategy, which represents a true integration of CSR into the JFE Group's core business.

Regarding JFE Engineering's initiatives in fiscal 2010, for example, the report says: "Countries are beginning to take serious action in response to global environmental problems. Seizing on this development as a prime opportunity for taking a great leap, we are actively developing our businesses, mainly in the areas of the environment and energy." JFE Steel actively discloses information about business related to Ferro-Coke, a technology with high potential for saving energy and resources, which four blast furnace companies are jointly promoting with aid from NEDO. It also discloses information about products for electric vehicles that are compliant with automotive CO₂ emissions regulations in the European Union.

In addition, in line with the trend in recent years to assign corporate responsibility to greenhouse gases as defined by Scope 3 emissions, the report provides quantitative information about the CO₂ emissions cuts when customers use JFE products.

The JFE Group also appears to be making progress in energy efficiency and CO₂ emissions reduction in the phase of production. JFE Steel has reduced its energy consumption 12% since 1990 and has slashed unit-

energy consumption 20%, resulting in a 13% reduction in CO₂ emissions from 1990 levels and a 21% decrease in unit emissions. I look forward to seeing the JFE Group further link its business strategies to CSR management through its production technologies, which are some of the most energy efficient in the world.

2. Start of Social Reporting

The biggest change this year is the preparation and presentation of a social report that can be accessed via the Internet. The JFE Group has now started to include this document in the detailed version of its business report, which had consisted of only financial reporting and environmental reporting until this year. The result is an integrated annual report with full corporate responsibility reporting.

Nevertheless, there is still plenty of room for improving social reporting compared with environmental reporting. As an international business enterprise, much more material information about its workforce breakdown in terms of region and gender, as well as turnover rates, for example, should be provided. To improve social reporting, the JFE Group should identify material information to the extent necessary to meet social expectations, and disclose information in a way that is as quantitative as possible. Considering that the business report is a primary source of information on the company, it also should disclose the rate of hiring persons with disabilities and annual changes in the number of employees taking childcare and nursing leave, which are becoming increasingly common practices in corporate responsibility reporting in Japan.

3. Adherence to the Antitrust Act

The JFE Group has reported some cases of antitrust violations almost every year. Following the implementation of six preventative measures in fiscal 2006 and then eight in fiscal 2007, the report noted that in fiscal 2009 the company introduced an additional four measures, including the inclusion of disciplinary measures in the corporate rules of employment. This suggests that the problem is very serious and that the JFE Group has been struggling to manage it. Antitrust violations occur in a corporate climate that is permissive to infringement in everyday business operations, so it requires a persistent effort to thoroughly change the thinking of employees throughout the organization to overcome such problems. The JFE Group should continue to make steadfast efforts to prevent further antitrust violations.

Financial Information

Five-year Financial Summary	64
Consolidated Balance Sheets	65
Consolidated Statements of Income	67
Consolidated Statements of Cash Flows	68
Consolidated Statements of Changes in Net Assets	69
Notes to Consolidated Financial Statements	72
Report of Independent Auditors	86

Five-year Financial Summary

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

	Millions of yen				
	2010	2009	2008	2007	2006
Operating results (for the year)					
Net sales	¥ 2,844,356	¥ 3,908,282	¥ 3,539,802	¥ 3,260,447	¥ 3,098,374
Operating income	88,775	407,806	510,518	503,938	517,171
Ordinary income before interest and discount expenses *1 *2	88,752	423,068	520,996	528,918	533,114
Ordinary income *1	69,289	400,562	502,974	513,520	517,313
Net income	45,659	194,229	261,845	299,683	325,996
Cash flows (for the year)					
Cash flows from operating activities	389,548	243,712	438,257	417,645	401,973
Cash flows from investing activities	(236,725)	(350,136)	(297,209)	(292,750)	(116,224)
Free cash flows *3	152,822	(106,424)	141,048	124,895	285,749
Cash flows from financing activities	(321,617)	260,065	(125,473)	(113,304)	(316,127)
Financial position (at the year end)					
Total assets	3,918,317	4,328,901	4,170,080	3,872,142	3,630,322
Property, plant and equipment, net	1,800,170	1,843,232	1,843,483	1,816,514	1,827,342
Net assets *4	1,465,898	1,378,041	1,541,680	1,539,621	1,310,381
Debt outstanding	1,468,472	1,768,747	1,281,936	1,180,532	1,162,857
Capital investment and others					
Capital investment	225,268	289,582	223,644	193,596	178,358
Depreciation and amortization	248,374	247,774	220,459	176,794	175,057
R&D expenses	36,082	41,938	39,483	38,149	38,193
Crude steel output (thousand tons)	28,352	29,280	34,273	32,828	30,145
Employees	53,892	56,547	56,688	53,610	53,111
Ratio					
Return on sales (ROS) *5	2.4%	10.2%	14.2%	15.8%	16.7%
Return on assets (ROA) *6	2.2%	10.0%	13.0%	14.1%	14.6%
Return on equity (ROE) *7	3.3%	13.7%	17.5%	21.3%	28.6%
Equity capital ratio *8	36.3%	30.9%	35.9%	38.8%	36.1%
Debt-to-equity ratio *9	103.2%	132.4%	85.7%	78.6%	88.7%
Yen					
Per share data					
Net income	¥ 86.35	¥ 355.64	¥ 450.58	¥ 513.58	¥ 555.02
Net assets *4	2,689.88	2,526.26	2,619.11	2,548.09	2,236.32
Cash dividends	20.00	90.00	120.00	120.00	100.00

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

Consolidated Balance Sheets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Assets			
Current assets:			
Cash and deposits (Notes 3 and 11)	¥ 31,334	¥ 217,990	\$ 336,779
Notes and accounts receivable (Note 11)	497,500	535,199	5,347,162
Allowance for doubtful accounts	(894)	(876)	(9,608)
Merchandise and finished goods	233,485	238,798	2,509,512
Work in process	64,695	182,996	695,346
Raw materials and supplies	326,276	406,539	3,506,835
Deferred tax assets (Note 13)	61,065	52,301	656,330
Other current assets (Note 6)	117,429	128,171	1,262,134
Total current assets	1,330,893	1,761,121	14,304,524
Property, plant and equipment (Note 6):			
Land (Note 7)	528,056	531,601	5,675,580
Buildings and structures	1,652,553	1,649,832	17,761,747
Machinery and equipment	5,320,938	5,296,469	57,189,789
Construction in progress	100,848	76,280	1,083,920
Sub total	7,602,395	7,554,183	81,711,038
Accumulated depreciation	(5,802,225)	(5,710,951)	(62,362,693)
Property, plant and equipment, net	1,800,170	1,843,232	19,348,344
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 11)	243,350	202,265	2,615,541
Investments in securities (Notes 4, 6 and 11)	321,702	245,748	3,457,674
Allowance for doubtful accounts	(5,964)	(5,576)	(64,101)
Deferred tax assets (Note 13)	50,034	93,214	537,768
Other assets (Note 6)	178,129	188,895	1,914,542
Total investments and other assets	787,253	724,548	8,461,446
Total assets	¥ 3,918,317	¥ 4,328,901	\$ 42,114,327

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Liabilities			
Current liabilities:			
Short-term borrowings (Note 11)	¥ 7,592	¥ 8,845	\$ 81,599
Current portion of long-term debt (Notes 5 and 11)	196,209	228,122	2,108,867
Commercial paper (Note 11)	13,997	175,935	150,440
Notes and accounts payable (Note 11)	344,336	352,315	3,700,945
Other current liabilities	368,870	525,739	3,964,638
Total current liabilities	931,006	1,290,961	10,006,513
Long-term liabilities:			
Long-term debt (Notes 5 and 11)	1,250,673	1,355,843	13,442,315
Accrued retirement benefits (Note 8)	135,086	144,586	1,451,913
Reserve for rebuilding furnaces	34,134	41,778	366,874
Deferred tax liabilities (Notes 7 and 13)	20,552	22,070	220,894
Allowance for losses on specific waste disposal business	39,519	44,711	424,752
Other long-term liabilities	41,444	50,908	445,442
Total long-term liabilities	1,521,411	1,659,899	16,352,224
Total liabilities	2,452,418	2,950,860	26,358,748
Contingencies (Note 9)			
Net assets			
Shareholders' equity:			
Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2010			
614,438,399 shares as of March 31, 2009	147,143	147,143	1,581,502
Capital surplus	657,258	657,597	7,064,251
Retained earnings	1,039,399	1,005,066	11,171,528
Treasury stock, at cost:			
85,698,154 shares as of March 31, 2010			
85,633,905 shares as of March 31, 2009	(426,602)	(426,649)	(4,585,146)
Total shareholders' equity	1,417,198	1,382,947	15,232,136
Valuation and translation adjustments:			
Net unrealized gains and losses on securities	33,392	(12,575)	358,899
Net unrealized gains and losses on hedges	(52)	(1,221)	(558)
Revaluation reserve for land, net of tax (Note 7)	12,004	14,755	129,019
Translation adjustments	(40,292)	(48,010)	(433,061)
Total valuation and translation adjustments	5,051	(47,052)	54,288
Minority interests (Note 7)	43,648	42,145	469,131
Total net assets	1,465,898	1,378,041	15,755,567
Total liabilities and net assets	¥ 3,918,317	¥ 4,328,901	\$ 42,114,327

Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥ 2,844,356	¥ 3,908,282	\$ 30,571,324
Cost of sales	2,505,746	3,199,268	26,931,921
Gross profit	338,610	709,013	3,639,402
Selling, general and administrative expenses	249,835	301,207	2,685,242
Operating income	88,775	407,806	954,159
Non-operating income (expenses):			
Interest income	619	1,233	6,653
Interest expense	(19,463)	(22,506)	(209,189)
Dividends received	6,699	9,003	72,001
Equity in earnings of affiliates	6,442	22,867	69,239
Other, net	(13,783)	(17,842)	(148,140)
Ordinary income	69,289	400,562	744,722
Extraordinary profit (loss) (Note 16)	1,664	(69,524)	17,884
Income before income taxes and minority interests	70,952	331,038	762,596
Income taxes (Note 13):			
Current	17,015	131,212	182,878
Deferred	4,404	5,396	47,334
	21,419	136,609	230,212
Income before minority interests	49,532	194,429	532,373
Minority interests	(3,873)	(199)	(41,627)
Net income	¥ 45,659	¥ 194,229	\$ 490,745

	Yen		U.S. dollars (Note 1)
	2010	2009	2010
Basic net income per share	¥ 86.35	¥ 355.64	\$ 0.92
Diluted net income per share	86.26	338.36	0.92
Cash dividends per share	20	90.00	0.21

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 70,952	¥ 331,038	\$ 762,596
Adjustments for:			
Depreciation and amortization	248,374	247,774	2,669,539
Decrease in reserves	(48,903)	(9,014)	(525,612)
Interest and dividend income	(7,318)	(10,236)	(78,654)
Interest expense	19,463	22,506	209,189
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(13,739)	34,863	(147,667)
Changes in inventories	200,622	(110,769)	2,156,298
Changes in notes and accounts payable	6,974	(134,847)	74,957
Other, net	21,444	45,064	230,481
Sub total	497,870	416,378	5,351,139
Interest and dividend income received	11,305	20,726	121,506
Interest paid	(20,567)	(21,550)	(221,055)
Income taxes paid	(99,059)	(171,842)	(1,064,692)
Net cash provided by operating activities	389,548	243,712	4,186,887
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(233,441)	(291,667)	(2,509,039)
Proceeds from sales of property, plant and equipment	8,628	4,490	92,734
Payments for purchases of investments in securities	(52,452)	(77,521)	(563,757)
Proceeds from sales of investments in securities	7,561	19,856	81,266
Other, net	32,978	(5,295)	354,449
Net cash used in investing activities	(236,725)	(350,136)	(2,544,335)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings, net	(159,588)	143,186	(1,715,262)
Increase in long-term debt	91,367	600,907	982,018
Repayments of long-term debt	(228,988)	(254,103)	(2,461,177)
Payments for purchases of treasury stock	(287)	(154,350)	(3,084)
Payments for dividends by parent company	(16,183)	(67,379)	(173,935)
Other, net	(7,937)	(8,194)	(85,307)
Net cash (used in) provided by financing activities	(321,617)	260,065	(3,456,760)
Effect of exchange rate change on cash and cash equivalents	(5,436)	653	(58,426)
Net increase in cash and cash equivalents	(174,231)	154,296	(1,872,646)
Cash and cash equivalents at beginning of the year	206,605	52,178	2,220,604
(Decrease) increase in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	(32)	131	(343)
Cash and cash equivalents at end of the year (Note 3)	¥ 32,342	¥ 206,605	\$ 347,613

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, 2010 and 2009

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2008	¥147,143	¥657,597	¥ 897,969	¥(270,927)	¥1,431,782
Changes in accounting policies applied to foreign subsidiaries			(10,507)		(10,507)
Cash dividends			(67,422)		(67,422)
Net income			194,229		194,229
Acquisition of treasury stock				(156,483)	(156,483)
Disposal of treasury stock		(209)	(153)	761	398
Transfer from land revaluation account			(9,049)		(9,049)
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(209)	117,604	(155,722)	(38,327)
Balance at March 31, 2009	¥147,143	¥657,387	¥1,005,066	¥(426,649)	¥1,382,947
Cash dividends			(15,876)		(15,876)
Net income			45,659		45,659
Acquisition of treasury stock				(323)	(323)
Disposal of treasury stock		(128)		370	241
Change of scope of consolidation			1,798		1,798
Transfer from land revaluation account			2,750		2,750
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(128)	34,332	46	34,250
Balance at March 31, 2010	¥147,143	¥657,258	¥1,039,399	¥(426,602)	¥1,417,198

	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, 2008	¥ 72,491	¥ (469)	¥ 5,658	¥(12,949)	¥64,731	¥45,167	¥1,541,680
Changes in accounting policies applied to foreign subsidiaries							(10,507)
Cash dividends							(67,422)
Net income							194,229
Acquisition of treasury stock							(156,483)
Disposal of treasury stock							398
Transfer from land revaluation account							(9,049)
Net changes in items other than shareholders' equity	(85,067)	(751)	9,096	(35,060)	(111,783)	(3,021)	(114,804)
Total changes in items during the year	(85,067)	(751)	9,096	(35,060)	(111,783)	(3,021)	(153,132)
Balance at March 31, 2009	¥(12,575)	¥(1,221)	¥14,755	¥(48,010)	¥(47,052)	¥42,415	¥1,378,041
Cash dividends							(15,876)
Net income							45,659
Acquisition of treasury stock							(323)
Disposal of treasury stock							241
Change of scope of consolidation							1,798
Transfer from land revaluation account							2,750
Net changes in items other than shareholders' equity	45,968	1,168	(2,750)	7,718	52,104	1,502	53,606
Total changes in items during the year	45,968	1,168	(2,750)	7,718	52,104	1,502	87,857
Balance at March 31, 2010	¥ 33,392	¥ (52)	¥12,004	¥(40,292)	¥ 5,051	¥43,648	¥1,465,898

Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2009	\$1,581,502	\$7,065,638	\$10,802,515	\$(4,585,651)	\$14,864,004
Cash dividends			(170,636)		(170,636)
Net income			490,745		490,745
Acquisition of treasury stock				(3,471)	(3,471)
Disposal of treasury stock		(1,375)		3,976	2,590
Change of scope of consolidation			19,325		19,325
Transfer from land revaluation account			29,557		29,557
Net changes in items other than shareholders' equity					—
Total changes in items during the year		(1,375)	369,002	494	368,121
Balance at March 31, 2010	\$1,581,502	\$7,064,251	\$11,171,528	\$(4,585,146)	\$15,232,136

	Thousands of U.S. dollars (Note 1)						
	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, 2009	\$(135,156)	\$(13,123)	\$158,587	\$(516,014)	\$(505,717)	\$455,879	\$14,811,274
Cash dividends							(170,636)
Net income							490,745
Acquisition of treasury stock							(3,471)
Disposal of treasury stock							2,590
Change of scope of consolidation							19,325
Transfer from land revaluation account							29,557
Net changes in items other than shareholders' equity	494,067	12,553	(29,557)	82,953	560,017	16,143	576,160
Total changes in items during the year	494,067	12,553	(29,557)	82,953	560,017	16,143	944,292
Balance at March 31, 2010	\$(358,899)	\$ (558)	\$129,019	\$(433,061)	\$ (54,288)	\$469,131	\$15,755,567

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

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, 2010, which was ¥93.04 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 198 domestic and foreign subsidiaries (the "Group" as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

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

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

(b) Translation of Foreign Currencies

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

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

(c) Valuation of Securities

Available-for-sale Securities

Marketable:

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

Non-marketable:

Valued primarily at cost by the moving average method.

(d) Valuation of Inventories

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

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

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

Depreciation is calculated primarily by the declining balance method.

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

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

(f) Intangible Assets (except for leased 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).

(h) Allowance for Doubtful Accounts

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

(i) Allowance for Losses on Construction Projects

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

(j) Accrued Retirement Benefits

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

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

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

Effective from the fiscal year beginning April 1, 2009, "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, issued by the ASBJ on July 31, 2008) has been applied. There was no difference of retirement benefit obligation resulting from the application of this standard at March 31, 2010.

(k) Reserve for Rebuilding Furnaces

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

(l) Allowance for Losses on Specific Waste Disposal Business

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

(m) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June

1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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

The Company applied the revised accounting standard effective April 1, 2008. The effects of this change on operating income, ordinary income and income before income taxes and minority interests were immaterial for the year ended March 31, 2009.

All other leases are accounted for as operating leases.

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

Previously, the percentage-of-completion method was used for recognizing revenues of long-term construction-type contracts for Engineering business, (over 1-year duration and ¥100 million or more) and for Shipbuilding business (over 1-year duration and ¥1 billion or more). For other construction-type contracts, the completed-contract method was used for recognizing revenues of construction contracts.

Effective from the fiscal year beginning April 1, 2009, "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) has been applied. Under the new standard and guidance, the percentage-of-completion method (cost-comparison method to estimate of the percentage of completion) is applied for construction contracts, which commenced in the year ended March 31, 2010, if the percentage of completion can be reliably estimated. For contracts where the percentage of completion cannot be reliably estimated, the completed-contract method is applied. As a result, for the year ended March 31, 2010, net sales increased by ¥103,020 million (\$1,107,265 thousand), operating income, ordinary income and income before income taxes and minority interests increased by ¥17,581 million (\$188,961 thousand), respectively.

(o) Consolidated Tax Return

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

(p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Net income used in the computation was ¥45,659 million (\$490,745 thousand) and ¥194,229 million, the average

number of shares used in the computation was 528,745 thousand and 546,134 thousand for the years ended March 31, 2010 and 2009, respectively.

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

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥31,334	¥217,990	\$336,779
Time deposits with a maturity of more than three months	(280)	(11,384)	(3,009)
Securities included in other current assets	1,288	—	13,843
	¥32,342	¥206,605	\$347,613

4. Securities

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2010 and 2009:

Marketable:

	Millions of yen					
	Held-to-maturity securities					
	2010		Unrealized gain (loss)	2009		Unrealized gain (loss)
Book value (Carrying amount)	Estimated fair value	Book value (Carrying amount)		Estimated fair value		
Book value lower than estimated fair value:						
Bonds	¥199	¥203	¥3	¥199	¥201	¥1
Book value exceeding estimated fair value:						
Bonds	—	—	—	—	—	—
Total	¥199	¥203	¥3	¥199	¥201	¥1

	Millions of yen					
	Available-for-sale securities					
	2010		Unrealized gain (loss)	2009		Unrealized gain (loss)
Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Book value (Estimated fair value)		Cost		
Cost lower than book value:						
Equity securities	¥185,110	¥100,750	¥84,359	¥112,561	¥74,403	¥38,157
Bonds	36	35	1	36	35	1
Sub total	185,146	100,785	84,360	112,597	74,438	38,158
Cost exceeding book value:						
Equity securities	104,342	128,740	(24,397)	105,980	155,559	(49,579)
Bonds	—	—	—	—	—	—
Sub total	104,342	128,740	(24,397)	105,980	155,559	(49,579)
Total	¥289,489	¥229,526	¥59,963	¥218,577	¥229,997	¥(11,420)

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

	Thousands of U.S. dollars		
	Held-to-maturity securities		
	2010		
	Book value (Carrying amount)	Estimated fair value	Unrealized gain (loss)
Book value lower than estimated fair value:			
Bonds	\$2,138	\$2,181	\$32
Book value exceeding estimated fair value:			
Bonds	—	—	—
Total	\$2,138	\$2,181	\$32

	Thousands of U.S. dollars		
	Available-for-sale securities		
	2010		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$1,989,574	\$1,082,867	\$906,696
Bonds	386	376	10
Sub total	1,989,961	1,083,243	906,706
Cost exceeding book value:			
Equity securities	1,121,474	1,383,705	(262,220)
Bonds	—	—	—
Sub total	1,121,474	1,383,705	(262,220)
Total	\$3,111,446	\$2,466,960	\$644,486

Non-marketable: Available-for-sale securities:

	Millions of yen
	2009
Unlisted stocks, except OTC-traded stock	¥26,870
Unlisted bonds	89
Subscription certificates	11

The impairment losses on available-for-sale securities for the year ended March 31, 2010 were ¥182 million (\$1,956 thousand).

The redemption amounts of bonds by contractual maturities for available-for-sale securities at March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥ 22	\$ 236
Due after one year through five years	264	2,837
Due after five years through ten years	20	214

5. Long-term Debt

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
1.00% yen bonds, due July 2010	¥ 20,000	¥ 20,000	\$ 214,961
0.64% yen bonds, due July 2010	30,000	30,000	322,441
0.98% yen bonds, due November 2010	20,000	20,000	214,961
1.44% yen bonds, due October 2011	20,000	20,000	214,961
Euro Yen Zero Coupon Guaranteed Convertible Bonds, due June 2009 (Note 1)	—	8,049	—
1.33% yen bonds, due April 2012	19,997	19,996	214,929
1.33% yen bonds, due November 2012	29,998	29,997	322,420
First issuance of unsecured convertible bonds with acquisition provision (with a subordination special agreement) (Note 2)	300,000	300,000	3,224,419
1.29% yen bonds, due June 2011	40,000	40,000	429,922
1.278% yen bonds, due September 2013	40,000	40,000	429,922
1.351% yen bonds, due September 2015	20,000	20,000	214,961
0.927% yen bonds, due September 2014	40,000	—	429,922
0.708% yen bonds, due September 2015	40,000	—	429,922
2.375% yen bonds (issued by JFE Steel), due November 2009	—	10,000	—
3.27% yen bonds (issued by JFE Steel), due November 2009	—	10,000	—
3.00% yen bonds (issued by JFE Steel), due January 2010	—	10,000	—
1.06% yen bonds (issued by JFE Steel), due March 2010	—	10,000	—
3.50% yen bonds (issued by JFE Steel), due May 2012	20,000	20,000	214,961
Loans, principally from banks and insurance companies, due 2010-2029	806,886	975,922	8,672,463
Less current portion	(196,209)	(228,122)	(2,108,867)
Total long-term debt	¥1,250,673	¥1,355,843	\$13,442,315

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).

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

6. Pledged Assets

At March 31, 2010 and 2009 pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥ —	¥11,200	\$ —
Property, plant and equipment	69,944	74,544	751,762
Investments in securities	5,645	5,874	60,672
Other assets	164	69	1,762

The Company sets pledges as collateral on the consolidated subsidiaries' short-term loans receivable from the Company related to warranty for equipment performance (book value of ¥10,900 million [\$117,153 thousand] and ¥11,600 million on the financial statements of individual consolidated subsidiaries at March 31, 2010 and 2009, respectively).

The Company sets pledges for consolidated subsidiary shares (book value of ¥325 million [\$3,493 thousand] on the financial statements of individual consolidated subsidiaries at March 31, 2010 and 2009).

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 ¥15,791 million (\$169,722 thousand) and ¥16,130 million on March 31, 2010 and 2009, 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, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation	¥ (436,352)	¥ (470,509)	\$ (4,689,939)
Fair value of plan assets	280,135	277,858	3,010,909
Unfunded retirement benefit obligation	(156,216)	(192,651)	(1,679,019)
Unrecognized net retirement benefit obligation at transition	149	754	1,601
Unrecognized actuarial losses	55,503	90,241	596,549
Unrecognized prior service cost	713	(129)	7,663
Net amount	(99,851)	(101,785)	(1,073,205)
Prepaid cost	35,235	42,801	378,708
Accrued retirement benefits	¥ (135,086)	¥ (144,586)	\$ (1,451,913)

Retirement and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost (Note 1)	¥16,350	¥18,364	\$175,730
Interest cost	6,857	7,240	73,699
Expected return on plan assets	(4,723)	(5,703)	(50,763)
Amortization:			
Net retirement benefit obligation at transition	7	128	75
Actuarial losses	16,562	11,342	178,009
Prior service cost	(902)	(922)	(9,694)
Accrued retirement benefit cost	34,152	30,450	367,067
Other (Note 2)	95	1,460	1,021
Total	¥34,247	¥31,911	\$368,088

Notes:

- Accrued retirement benefit cost incurred by consolidated subsidiaries applying a simplified method to calculate retirement benefit obligation is included under "service cost."
- Premiums on defined contribution plans for certain consolidated subsidiaries.
- Other than the above, the Company and its subsidiaries paid incremental benefits of ¥6,024 million (\$64,746 thousand) for the year ended March 31, 2010.

The rationale for calculations of retirement benefit obligations for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
1. Retirement benefit projection amortization method:	Primarily, the straight-line method over the period	Primarily, the straight-line method over the period
2. Discount rate	Primarily 1.5%	Primarily 1.5%
3. Expected return on plan assets:	Primarily 1.7%	Primarily 1.7%
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, 2010 and 2009, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Guarantees of debt	¥13,317	¥16,075	\$143,131
Trade notes discounted	70	179	752
Trade notes endorsed	291	87	3,127

At March 31, 2010 and 2009, commitments outstanding for loan commitments were ¥781 million (\$8,394 thousand).

10. Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets.

As discussed in Note 2 (m), lease assets under finance leases that do not transfer ownership to lessees are capitalized and amortized to residual value of zero using the straight line method with useful life defined by the terms of the contract effective from the fiscal year beginning April 1, 2008.

Future minimum lease payments subsequent to March 31, 2010 and 2009 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
2011	¥1,591		\$17,100
2012 and thereafter	6,457		69,400
Total	¥8,049		\$86,511
2009			
2010	¥1,419		
2011 and thereafter	7,805		
Total	¥9,224		

11. Financial Instruments

The Group has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 (revised 2008), March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 10, 2008) effective from the fiscal year beginning April 1, 2009.

(1) Overview

(a) Group policy for financial instruments

The Group raises funds mainly through the bank loans or by commercial paper/ bonds issues based on the capital investment plans considering the stability of the fund and financing costs. Temporary surplus of funds are operated only for short-term investments. Derivative transactions are only utilized to hedge the following risks and the Group does not enter into derivative transactions for trading or speculative purpose.

(b) Types of financial instruments and related risk and risk management

Trade receivables such as notes and accounts receivable are exposed to credit risk. The Group manages this risk by monitoring financial conditions of its customers periodically. Some of trade receivables are sold before maturities.

Trade payables such as notes and accounts payable are due within one year. Some of accounts receivable and accounts payable are denominated in foreign currency and exposed to foreign currency risk. Foreign exchange forward contracts are utilized timely to hedge the net balance of foreign currencies received from export and foreign currencies paid for raw material purchase.

Stocks as Investment securities are exposed to market fluctuation risk. Investment securities denominated in foreign currencies are exposed to foreign currency risk. Investment securities mainly consist of securities of companies with which a business relationship has been established and the Group reviews these fair values periodically.

Debts and bonds are managed not to concentrate the maturities considering the liquidity risk. Variable interest rate debts are exposed to interest fluctuation risk. Some of the debts and bonds, which are exposed to interest fluctuation risk, are hedged by the interest rate swap agreements to correspond and to decrease interest payments.

Derivative transactions are exposed to market fluctuation risk of future foreign exchange and interest rate. However, the Group utilizes the derivative transactions to correspond with the actual demands of imports and exports, debts and bonds, and thus the risk is limited to the extent of opportunity loss. The Group enters into derivative transactions only with financial institutions with high credit ratings and thus there is almost no credit risk, which is the risk of default by the counterparties' bankruptcy etc. The Group implemented the internal rules of derivative transactions and transactions are operated based on these rules. Derivative transactions are executed based on the above internal rules, which require getting the approval from the financial operating officer. The balances, fair values and valuation differences are reported to the management meetings periodically. Consolidated subsidiaries operate the derivative transactions based on the internal rules.

(c) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values, which are reasonably calculated in case that market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in case that different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 12. "Derivatives and Hedging Activities", the contract amount itself does not indicate market risk related to derivative transactions.

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

(2) Fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2010, fair value and difference are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of yen		
	Carrying value	Fair value	Difference
	2010		
Cash and deposits	¥ 31,334	¥ 31,334	¥ —
Notes and accounts receivable	497,500	497,500	—
Investments in unconsolidated subsidiaries and affiliates	73,232	69,375	(3,856)
Investments in securities:			
Held-to-maturities	199	203	3
Available-for-sale securities	289,489	289,489	—
Total assets	¥ 891,755	¥ 887,903	¥ (3,852)
Notes and accounts payable	¥ 344,336	¥ 344,336	¥ —
Short-term borrowings	7,592	7,592	—
Current portion of long-term debt	196,209	196,253	44
Commercial paper	13,997	13,997	—
Long-term debt:			
Bonds	269,996	272,232	2,235
Bonds with stock acquisition rights	300,000	320,400	20,400
Long-term borrowings	680,677	682,443	1,766
Total liabilities	¥1,812,809	¥1,837,256	¥24,446
Derivative transactions *1:			
Hedge accounting not applied	¥ (184)	¥ (184)	¥ —
Hedge accounting applied	1,497	1,497	—
Total derivative transactions	¥ 1,312	¥ 1,312	¥ —

	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
	2010		
Cash and deposits	\$ 336,779	\$ 336,779	\$ —
Notes and accounts receivable	5,347,162	5,347,162	—
Investments in unconsolidated subsidiaries and affiliates	787,102	745,647	(41,444)
Investments in securities:			
Held-to-maturities	2,138	2,181	32
Available-for-sale securities	3,111,446	3,111,446	—
Total assets	\$ 9,584,641	\$ 9,543,239	\$ (41,401)
Notes and accounts payable	\$ 3,700,945	\$ 3,700,945	\$ —
Short-term borrowings	81,599	81,599	—
Current portion of long-term debt	2,108,867	2,109,340	472
Commercial paper	150,440	150,440	—
Long-term debt:			
Bonds	2,901,934	2,925,967	24,021
Bonds with stock acquisition rights	3,224,419	3,443,680	219,260
Long-term borrowings	7,315,960	7,334,941	18,981
Total liabilities	\$19,484,189	\$19,746,947	\$262,747
Derivative transactions *1:			
Hedge accounting not applied	\$ (1,977)	\$ (1,977)	\$ —
Hedge accounting applied	16,089	16,089	—
Total derivative transactions	\$ 14,112	\$ 14,112	\$ —

*1 Derivative transactions are presented on a net basis and net liability position is shown in parenthesis.

Note 1. Valuation method for financial instruments and information of investments in securities and derivative transactions

Assets:Cash and deposits and Notes and accounts receivables

These are paid in short-term and the fair value approximates carrying value. Some of accounts receivables is subject to the allocation treatment of the foreign exchange forward contracts.

Securities

Fair value of stocks is based on the quoted price on stock exchanges and that of bonds is based on the quoted price on bond markets or price presented by the counter party financial institutions. Please see Note 4. "Securities" regarding the information of the fair value for the investment in securities by classification.

Liabilities:Notes and accounts payables, Short-term borrowings, Current portion of long-term debt (except for bonds due within one year) and Commercial paper

These are paid in short-term and the fair value approximates the equivalent of carrying value. Some of accounts payables is subject to the allocation treatment of the foreign exchange forward contracts.

Bonds and bonds due within one year (included in current portion of long-term debt)

Fair value of bonds is based on the quoted market price. Fair value of the bonds subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of bond issues.

Bond with stock acquisition rights

Bond with stock acquisition rights does not have market value. The fair value is calculated by general pricing models considering exercise period, exercise price, stock price fluctuation rate, residual period and credit risk.

Long-term borrowings

Fair value of long-term borrowings is estimated by discounting the sum of principals and interests, using the reasonable interest rate applied to the same kind of new borrowings. Fair value of the long-term borrowings subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of long-term debt.

Derivative transactions

Please see Note 12. "Derivatives and Hedging Activities".

Note 2. Financial instruments whose fair value cannot be reliably determined

	Millions of yen	Thousands of U.S. dollars
	Carrying value	
Unlisted stock	¥202,056	\$2,171,711
Unlisted bond	64	687
Subscription certificates	11	118

Financial instruments above are not included in securities on the table in (2) "Fair value of financial instruments", because there are no market prices available and it is extremely difficult to determine the fair value.

Note 3. The redemption schedule for financial instruments and securities with maturities

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 31,334	¥ —	¥ —	¥ —	\$ 336,779	\$ —	\$ —	\$ —
Notes and accounts receivable	381,022	61	—	—	4,095,249	655	—	—
Securities:								
Held-to-maturities	—	200	—	—	—	2,149	—	—
Available-for-sale securities with maturities	21	42	20	—	225	451	214	—
Total	¥412,379	¥304	¥20	¥—	\$4,432,276	\$3,267	\$214	\$—

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

Note 4. Scheduled maturities of short-term borrowings, current portion of long-term debt, commercial paper and long-term debt

	Millions of yen					
	2010					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 7,592	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term debt	196,209	—	—	—	—	—
Commercial paper	13,997	—	—	—	—	—
Long-term debt:						
Bonds	—	60,000	70,000	40,000	80,000	20,000
Bonds with stock acquisition rights	—	—	—	300,000	—	—
Long-term borrowings	—	222,449	163,234	133,889	61,196	99,907
Total	¥217,799	¥282,449	¥233,234	¥473,889	¥141,196	¥119,907

	Thousands of U.S. dollars					
	2010					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 81,599	\$ —	\$ —	\$ —	\$ —	\$ —
Current portion of long-term debt	2,108,867	—	—	—	—	—
Commercial paper	150,440	—	—	—	—	—
Long-term debt:						
Bonds	—	644,883	752,364	429,922	859,845	214,961
Bonds with stock acquisition rights	—	—	—	3,224,419	—	—
Long-term borrowings	—	2,390,896	1,754,449	1,439,047	657,738	1,073,806
Total	\$2,340,917	\$3,035,780	\$2,506,814	\$5,093,389	\$1,517,583	\$1,288,768

12. 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 foreign exchange forward contracts and interest rate 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.

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
	Contracted amount	Recognized loss	Contracted amount	Recognized loss	Recognized loss
Interest rate swap agreements:					
To receive floating and pay fixed rates	¥4,450	¥ (184)	¥6,230	¥ (298)	\$ (1,977)
Total		¥ (184)		¥ (298)	\$ (1,977)

Derivative transactions for which hedge accounting is applied for the year ended March 31, 2010 were as follows:

(a) Currency related

Hedged item	Millions of yen		Thousands of U.S. dollars		
	2010		2010		
	Contract amount	Fair value	Contract amount	Fair value	
Benchmark method					
Foreign exchange forward contracts:					
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 1,978	¥ (4)	\$ 21,259	\$ (42)
EUR (Selling)	Accounts receivable (forecasted transactions)	711	66	7,641	709
SGD (Selling)	Accounts receivable (forecasted transactions)	172	(2)	1,848	(21)
HKD (Selling)	Accounts receivable (forecasted transactions)	95	(3)	1,021	(32)
USD (Buying)	Accounts payable (forecasted transactions)	51,462	428	553,116	4,600
EUR (Buying)	Accounts payable (forecasted transactions)	3,951	100	42,465	1,074
GBP (Buying)	Accounts payable (forecasted transactions)	239	7	2,568	75
NOK (Buying)	Accounts payable (forecasted transactions)	4,659	906	50,075	9,737
Allocation method					
Foreign exchange forward contracts:					
USD (Selling)	Accounts receivable	18,588	Note 1	199,785	Note 1
USD (Buying)	Accounts payable and deposits received	18,212	Note 1	195,743	Note 1
EUR (Buying)	Accounts payable and deposits received	1,490	Note 1	16,014	Note 1
GBP (Buying)	Accounts payable and deposits received	47	Note 1	505	Note 1
NOK (Buying)	Accounts payable and deposits received	83	Note 1	892	Note 1
KRW (Buying)	Accounts payable and deposits received	293	Note 1	3,149	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

Note 1. Fair value of the foreign exchange forward contracts to which allocation treatment has been applied is included in the fair value of corresponding accounts receivable and accounts payable as hedged item. Disclosure about the fair value of deposits received is omitted as the amount is immaterial.

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

(b) Interest rate related

Hedged item	Millions of yen		Thousands of U.S. dollars		
	2010		2010		
	Contract amount	Fair value	Contract amount	Fair value	
Short-cut method					
Interest rate swap agreements:					
To receive floating and pay fixed rates	Bonds and long-term debt	¥109,120	Note 2	\$1,172,828	Note 2
To receive floating and pay floating		1,900	Note 2	20,421	Note 2
To receive fixed rates and pay floating		399,200	Note 2	4,290,627	Note 2

Note 2. Fair value of the interest rate swap agreements to which special treatment has been applied is included in the fair value of corresponding bonds and long-term debt as hedged item.

As described in Note 11. "Financial instruments", the Company has applied "Accounting Standard for Financial Instruments" and "Guidance on Disclosures about Fair Value of Financial Instruments". The accounting standard and the guidance are ap-

plicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information regarding derivatives is disclosed only for the year ended March 31, 2010.

13. Research and Development Expenses

Research and development expenses charged to income were ¥36,082 million (\$387,811 thousand) and ¥41,938 million for the years ended March 31, 2010 and 2009, respectively.

14. 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, 2010 and 2009 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Accrued retirement benefits	¥ 39,212	¥ 39,779	\$ 421,453
Loss on impairment of property, plant and equipment	18,834	21,802	202,429
Accrued expenses	14,294	20,429	153,632
Reserve for rebuilding furnaces	12,281	15,092	131,996
Loss carry-forwards	67,887	34,788	729,653
Allowance for losses on specific waste disposal business	16,202	18,331	174,140
Elimination of unrealized profits	—	15,710	—
Others	55,449	63,235	595,969
Total deferred tax assets	224,163	229,170	2,409,318
Valuation allowance	(68,852)	(73,452)	(740,025)
Deferred tax assets net of valuation allowances	155,310	155,718	1,669,282
Deferred tax liabilities:			
Net unrealized gains and losses on securities	(24,314)	—	(261,328)
Reserve for advanced depreciation of noncurrent assets	(10,209)	(9,837)	(109,726)
Reserve for special repairs	(6,100)	(4,793)	(65,563)
Others	(11,745)	(3,276)	(126,236)
Total deferred tax liabilities	(52,369)	(17,907)	(562,865)
Net deferred tax assets	¥ 102,941	¥ 137,810	\$ 1,106,416

15. 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, 2010 and 2009 was as follows:

(1) Industry Segments

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Sales:			
Steel			
Sales to customers	¥ 2,226,276	¥ 3,355,365	\$ 23,928,159
Inter-segment	55,165	67,999	592,917
Total sales	¥ 2,281,441	¥ 3,423,365	\$ 24,521,076
Engineering			
Sales to customers	¥ 283,391	¥ 319,598	\$ 3,045,904
Inter-segment	10,876	18,687	116,895
Total sales	¥ 294,267	¥ 338,285	\$ 3,162,800
Shipbuilding			
Sales to customers	¥ 286,739	¥ 181,306	\$ 3,081,889
Inter-segment	—	105	—
Total sales	¥ 286,739	¥ 181,412	\$ 3,081,889
Urban Development			
Sales to customers	¥ 23,257	¥ 24,161	\$ 249,967
Inter-segment	3,670	1,008	39,445
Total sales	¥ 26,927	¥ 25,170	\$ 289,413
LSI			
Sales to customers	¥ 24,692	¥ 27,849	\$ 265,391
Inter-segment	—	—	—
Total sales	¥ 24,692	¥ 27,849	\$ 265,391
Elimination / Corporate			
Sales to customers	—	—	—
Inter-segment	(69,711)	(87,801)	(749,258)
Total sales	¥ (69,711)	¥ (87,801)	\$ (749,258)
Consolidated total			
Sales to customers	¥ 2,844,356	¥ 3,908,282	\$ 30,571,324
Inter-segment	—	—	—
Total sales	¥ 2,844,356	¥ 3,908,282	\$ 30,571,324
Operating Expenses:			
Steel			
Steel	¥ 2,234,631	¥ 2,998,279	\$ 24,017,960
Engineering	280,892	333,672	3,019,045
Shipbuilding	265,721	196,663	2,855,986
Urban Development	28,469	28,785	305,986
LSI	25,014	31,853	268,852
Elimination / Corporate	(79,148)	(88,777)	(850,687)
Consolidated total	¥ 2,755,581	¥ 3,500,476	\$ 29,617,164
Operating Income:			
Steel			
Steel	¥ 46,810	¥ 425,085	\$ 503,116
Engineering	13,374	4,612	143,744
Shipbuilding	21,017	(15,250)	225,892
Urban Development	(1,541)	(3,614)	(16,562)
LSI	(322)	(4,003)	(3,460)
Elimination / Corporate	9,436	976	101,418
Consolidated total	¥ 88,775	¥ 407,806	\$ 954,159

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Ordinary Income:			
Steel	¥ 32,310	¥ 412,591	\$ 347,269
Engineering	13,355	9,950	143,540
Shipbuilding	21,592	(14,944)	232,072
Urban Development	(1,831)	(3,775)	(19,679)
LSI	(917)	(4,213)	(9,855)
Elimination / Corporate	4,779	953	51,365
Consolidated total	¥ 69,289	¥ 400,562	\$ 744,722

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets:			
Steel	¥ 3,543,807	¥ 3,631,671	\$ 38,089,069
Engineering	265,347	372,820	2,851,966
Shipbuilding	186,971	244,330	2,009,576
Urban Development	29,050	45,010	312,231
LSI	21,281	20,862	228,729
Elimination / Corporate	(128,141)	14,205	(1,377,267)
Consolidated total	¥ 3,918,317	¥ 4,328,901	\$ 42,114,327

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Depreciation and amortization:			
Steel	¥ 234,389	¥ 231,159	\$ 2,519,228
Engineering	5,880	6,599	63,198
Shipbuilding	5,350	5,124	57,502
Urban Development	493	568	5,298
LSI	2,189	3,943	23,527
Elimination / Corporate	70	378	752
Consolidated total	¥ 248,374	¥ 247,774	\$ 2,669,539

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Impairment loss:			
Steel	¥ 497	¥ 20,685	\$ 5,341
Engineering	650	579	6,986
Shipbuilding	—	—	—
Urban Development	2,094	—	22,506
LSI	—	3,963	—
Elimination / Corporate	—	—	—
Consolidated total	¥ 3,242	¥ 25,228	\$ 34,845

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Capital expenditures:			
Steel	¥ 212,176	¥ 273,653	\$ 2,280,481
Engineering	5,790	4,867	62,231
Shipbuilding	5,856	6,731	62,940
Urban Development	229	1,726	2,461
LSI	1,209	2,280	12,994
Elimination / Corporate	5	323	53
Consolidated total	¥ 225,268	¥ 289,582	\$ 2,421,195

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2010 and 2009

(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, 2010 and 2009 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, 2010 and 2009 amounted to ¥1,090,932 million (\$11,725,408 thousand) and ¥1,336,448 million, respectively.

16. 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, 2009, primarily the book value of the Company owned housing that will be closed due to the revision of housing benefit plan in JFE Steel Corporation was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥21,265 million, including ¥14,575 million for buildings and structures, ¥5,497 million for land and ¥1,192 million for machinery and equipment. The recoverable amount of the above assets is principally measured by the net selling price based on the appraisal value for the inheritance tax.

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

For the year ended March 31, 2010, primarily the book value of the rental properties whose profitability declined was reduced to the recoverable amount. The Company recognized loss on impairments of long-lived assets totaling ¥3,242 million (\$34,845 thousand), including ¥2,196 million (\$23,602 thousand) for buildings and structures, ¥636 million (\$6,835 thousand) for land and ¥409 million (\$4,395 thousand) for machinery and equipment. The recoverable amount of the above assets is principally calculated based on their value in use.

17. Extraordinary Profit (Loss)

For the years ended March 31, 2010 and 2009, extraordinary loss consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Profit on sales of property, plant and equipment	¥ 3,563	¥ —	\$ 38,295
Profit on sales of investments in securities	4,996	13,788	53,697
Profit on sales of shares of affiliate companies	—	3,256	—
Loss on impairment of property, plant and equipment	(3,242)	(21,265)	(34,845)
Write-down of investments in securities	—	(55,268)	—
Special retirement expenses	(3,652)	—	(39,251)
Cost of structural reform of LSI business	—	(6,568)	—
Loss related to relocation/integration of headquarters, etc.	—	(3,465)	—

18. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen		Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares		EPS	
(Year ended March 31, 2010)					
Basic EPS					
Net income available to common shareholders	¥ 45,659	528,745		¥ 86.35	\$ 0.92
Effect of dilutive securities					
Amortization of premium on bond, net of tax	(5)	—			
Interests on bond, net of tax	—	—			
Bond with stock acquisition rights	—	495			
Diluted EPS					
Net income for computation	¥ 45,654	529,240		¥ 86.26	\$ 0.92

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



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
JFE Holdings, Inc.

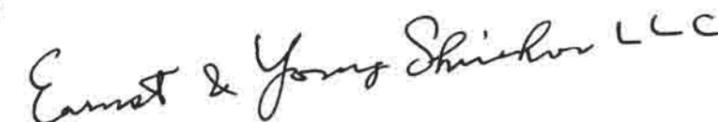
We have audited the accompanying consolidated balance sheets of JFE Holdings, Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements 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, 2010 and 2009, 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, 2010 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 28, 2010



(As of March 31, 2010)

Name	Paid-in Capital *2	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
JFE Chemical Corporation	6,000	Chemicals	100.0
Daiwa Steel Corporation	5,050	Electric Furnaces/Shape Steel Makers	92.4
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 Logistics Corporation	4,000	Logistics/Contracting	89.1
JFE Container Co., Ltd.	2,365	Steel Product Processing/Processed products	54.2
JFE Civil Engineering & Construction Corp.	2,300	Facilities & Maintenance/Construction	100.0
JFE Mineral Company, Ltd.	2,000	Resources/Raw Materials	99.9
JFE Life Corporation	2,000	General Services/Assets Management	99.9
JFE Mechanical Co., Ltd.	1,700	Facilities & Maintenance/Construction	93.8
Toyohira Steel Corporation	1,560	Electric Furnaces/Shape Steel Makers	51.3
JFE Welded Pipe Manufacturing Co., Ltd.	1,437	Steel Product Processing/Processed products	98.4
JFE Systems, Inc.	1,390	Information Systems	67.7
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 Kozai Corporation	488	Distribution/Processing	94.5
JFE Material Co., Ltd.	450	Resources/Raw Materials	98.0
JFE Precision Corporation	450	Resources/Raw Materials	100.0
River Steel Co., Ltd.	450	Steel Product Processing/Processed products	90.0
JFE Electrical & Control Systems, Inc.	400	Facilities & Maintenance/Construction	100.0
JFE Electrical Steel Co., Ltd.	400	Steel Product Processing/Processed products	99.9
Tohoku Steel Corporation	300	Electric Furnaces/Shape Steel Makers	94.2
JFE Techno-Research Corporation	100	Intellectual Property & Technology Information/Inspection & Analysis	100.0
JFE Steel Australia Resources Pty Ltd.	AUD 460 million	Trading and Other Steel-related Businesses	100.0
Philippine Sinter Corporation	PHP 500 million	Resources/Raw Materials	100.0
Thai Coated Steel Sheet Co., Ltd.	THB 2,206 million	Steel Product	81.4
Brazil Japan Iron Ore Corporation *1	118,348	Resources/Raw Materials	19.3
JFE Shoji Holdings, Inc. *1	20,000	Trading Company	39.5
Setouchi Joint Thermal Power Co., Ltd. *1	5,000	Electric Power/Utilities	50.0
Gecoss Corporation *1	4,397	Steel Structures/Temporary Construction	39.4
Shinagawa Refractories Co., Ltd. *1	3,300	Manufacture and Sale of Processed Steel Products, Raw Materials, etc.	33.8
Nippon Chuzo K. K. *1	2,102	Steel Product Processing/Processed products	42.1
EXA Corporation *1	1,250	Information Systems	49.0
K. K. JFE Sanso Center *1	90	Electric Power/Utilities	40.0
Dongkuk Steel Mill Co., Ltd. *1	KRW 421,185 million	Steel Product	15.1
Guangzhou JFE Steel Sheet Co., Ltd. *1	RMB 3,191 million	Steel Product	50.0
Thai Cold Rolled Steel Sheet Public Co., Ltd. *1	THB 10,703 million	Steel Product	22.4
California Steel Industries, Inc. *1	US\$ 40 million	Steel Product	50.0
JFE Engineering Corporation	10,000	Engineering Business	100.0
JFE Kankyo Corporation	650	Environment & Recycling	100.0
JFE Environmental Service Corporation	97	Environment & Recycling	100.0
JP Steel Plantech Co. *1	1,995	Machinery Construction/Plant Construction	25.6
Nippon Chutetsukan K. K. *1	1,855	Manufacture and Sale of Water Pipes and Gas Pipes	29.3
NKK Tubes K. K. *1	1,595	Manufacture and Sale of Seamless Pipes	49.0
Universal Shipbuilding Corporation	25,000	Shipbuilding	84.9
JFE Urban Development Corporation	3,000	Urban Development Business	100.0
Kawasaki Microelectronics, Inc.	5,046	LSI Business	99.9
JFE Finance Corporation	50	Group Finance	100.0

*1 Equity method affiliates

*2 Millions of yen, unless otherwise specified

Other 163 consolidated subsidiaries and 26 equity-method affiliates

(As of March 31, 2010)

Management

Company Name: JFE Holdings, Inc.
(Trade Name)

Head Office Address: 2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011

Phone: +81-3-3597-4321 (main)

URL: www.jfe-holdings.co.jp/en

Date of Establishment: September 27, 2002

Paid-in Capital: ¥147.1 billion

Number of Outstanding Shares: 614,438,399

Number of Shareholders: 321,094

Investor Information

Securities Traded: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (Securities code: 5411)

Annual Shareholders' Meeting: Held every June in Tokyo

Transfer Agent: Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670

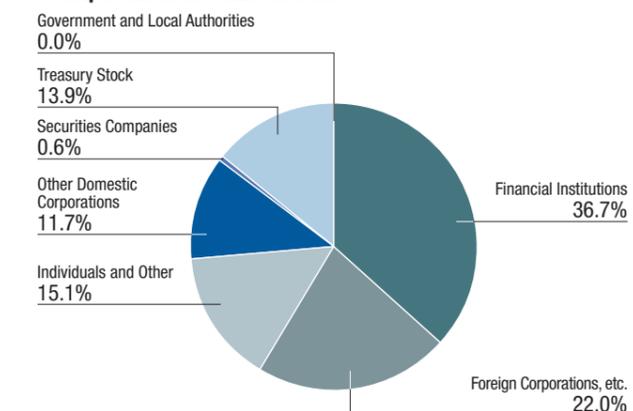
Inquiry: Stock Transfer Agency Dept. of Mizuho Trust & Banking Co., Ltd.
8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507
Tel: +81-120-288-324 (toll-free)

Composition of Shareholders

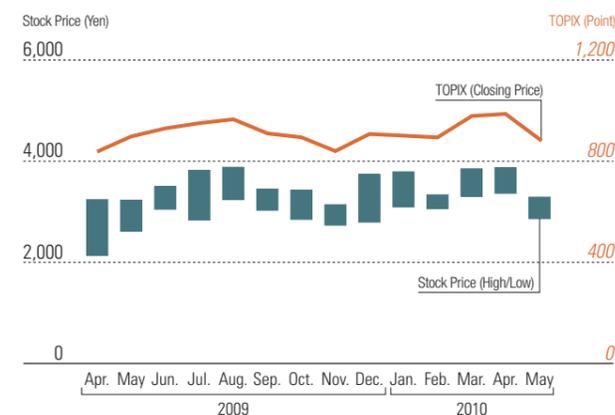
Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (trust account)	38,286	7.2
Japan Trustee Services Bank, Ltd. (trust account)	28,784	5.4
Nippon Life Insurance Company	22,639	4.3
The Dai-ichi Mutual Life Insurance Company	15,985	3.0
Mizuho Corporate Bank, Ltd.	14,351	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,975	1.9
Sompo Japan Insurance Inc.	8,419	1.6
Meiji Yasuda Life Insurance Company	7,163	1.4
Japan Trustee Services Bank, Ltd. (trust account 9G)	7,157	1.4
The Chase Manhattan Bank N.A. London S.L.Omnibus Account	6,541	1.2

* In addition to the above, we retain 85,298 thousand treasury shares. The treasury shares are not included in the investment ratio calculation.

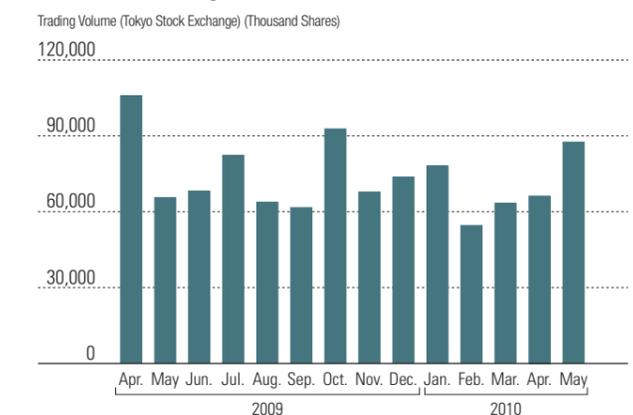
Composition of Shareholders



Trends in Stock Price



Trends in Trading Volume





JFE Holdings, Inc.

2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo, Japan 100-0011

www.jfe-holdings.co.jp/en

Contact

General: +81-3-3597-3842 (Public Relations Section)

IR: +81-3-3597-4381 (Finance and Investor Relations Department)

Shares: +81-3-3597-3817 (General Administration Section)

Environment: +81-3-3597-3734 (Corporate Planning Department)

