

For Immediate Release:

April 24, 2009
JFE Holdings, Inc.

Near-Term Business Strategies of the JFE Group

The JFE Group has drawn up a near-term business plan that establishes strategic operating guidelines for the period April 1, 2009 through March 31, 2012. Under the first (April 1, 2003-March 31, 2006) and second (April 1, 2006-March 31, 2009) medium-term plans, the group steadily endeavored to forge ahead with its high-profit business model and build a foundation for future growth by adhering to the objectives behind the group's formation. These efforts have allowed the JFE Group to clearly differentiate itself from other enterprises by consistently generating high profits and aggressively returning these profits to shareholders.

Even amid the drastic economic downturn, the group has steadfastly adhered to its basic strategy of identifying and then seizing promising opportunities to make great leaps of progress. The starting point for the creation of JFE was its corporate vision -- "contributing to society with the world's most innovative technology" -- and corporate values -- "challenging spirit, flexibility and sincerity." Even in this difficult business environment, JFE will remain faithful to these credos as it works to strengthen its ability to generate profits and increase its corporate value over the medium to long term.

In response to the current depressed economic climate the JFE Group is using all possible measures, including reducing overhead and limiting capital spending, to urgently cut costs and lower its breakeven point. Furthermore, in line with the steep decline in demand for steel, the group is striving to reduce output to a market-appropriate level by taking steps such as idling two JFE Steel blast furnaces. Since it is difficult to predict how much longer the current extraordinary conditions will persist, the group has decided not to include specific numerical consolidated-basis figures as part of this latest medium term business plan.

Nevertheless, the group remains firmly resolved to implement the medium- and long-term business policies we believe will result in great leaps of progress and JFE will continue to execute its growth strategy in a timely manner.

The business strategies of the JFE Group as a whole and key business units follow:

1. Develop innovative technology for the coming decade

On April 1, JFE overhauled the group's R&D framework, reorganizing JFE R&D Corporation

into JFE Steel's Steel Research Laboratory and JFE Engineering's Technology Research Laboratory.

In addition to accelerating the development of new products that anticipate the needs of both customers and society, a second objective was to hasten the development of innovative process technologies, application technologies and groundbreaking new products, with an eye on the horizon ten years from now. JFE will continue to tackle the development of cutting-edge, global technologies for environmental protection, energy conservation, and resource conservation.

Further strengthening JFE's R&D capabilities in every business area will make it possible to reinforce its business structure, which in turn allows it to generate substantial profits as the number one supplier of high added value products.

JFE Steel

- 1) Accelerate the development of new products and technologies that raise customer satisfaction to new levels
- 2) Increase the proportion of Only One and Number One products to net sales (7% in 2003, now 30%)
- 3) Develop products that help reduce environmental burdens, such as high-performance electrical steel sheet and high tensile steel
- 4) Develop high-quality and high-productivity technologies through process technology innovations
- 5) Develop innovative technologies for CO₂ reduction and expand the use of low-grade raw materials

JFE Engineering

- 1) Set up the technology research lab and "green frontier project team" in April to advance the development and refinement of products capable of stimulating the creation of next-generation businesses
- 2) Develop and commercialize innovative technologies for generating electricity from untapped, low-utility energy sources (low-grade coal, for example) and recycling unrecovered resources (rare metals, etc.)

Universal Shipbuilding

- 1) Develop ultra-low energy vessels using advanced hardware (hull forms, propellers, and other equipment) and software (Sea-Navi voyage support system)
- 2) Develop high safety performance vessels by optimizing structural safety and enhancing ship maneuverability

2. Establish a foothold for growth and major advances

- 1) JFE Steel:

JFE Steel has already completed a review of how best to build an operational structure capable of

producing 33 million tons of crude steel annually within Japan (37 million tons group-wide), to address the anticipated growth in demand for high-grade steel over the medium and long term. This groundwork will promote rapid growth and increased earnings when the economic climate begins to recover. Additionally, the company is constantly gathering and analyzing information, and considering the feasibility of and best timing for investment in the construction of integrated steelworks in resource- and demand-rich regions, positioning it to take advantage of growth opportunities overseas.

A steady, secure supply of raw materials is a source of competitive strength. Consequently, JFE Steel is acquiring resource rights when there is a clear economic rationale for doing so while expanding its use of low-grade raw materials.

To achieve its desired growth, the company is working to build the necessary marketing platform to raise customer satisfaction to new levels and to foster human resources capable of dealing with an increasingly global marketplace.

JFE Steel aims to continuously improve its comprehensive manufacturing capabilities by distributing the company's best technologies across all steelworks and plants, improving product quality, shortening lead times, improving yields, lowering manufacturing costs, and stabilizing facilities.

2) JFE Engineering:

Aggressive reduction of fixed costs and strict management of project returns allowed JFE Engineering to achieve a V-shaped rebound in the fiscal year ended March 31, 2009. Furthermore, it successfully created a single organization for each product by vertically integrating four subsidiaries.

The company has been able to keep a firm hold on market leading positions in the core pipeline, municipal waste incinerator, and bridge business segments. It is also aggressively expanding into China and other Asian markets.

Furthermore, JFE Engineering is focusing its efforts on introducing distinctive products such as NeoWhite, a new energy-saving air-conditioning system, as well as a system for processing ship ballast water; and Nanocore, a type of carbon-fiber nanotube.

In the products segment, it is forming alliances with other companies for the purpose of accelerating technological development and strengthening its ability to develop and market products.

3) Universal Shipbuilding:

The order situation in the shipbuilding industry is extremely challenging, and the company expects to continue experiencing tough competition from rivals in Korea and China. With four

years' worth of orders already secured, work is focused on aggressively cutting costs in an effort to return to the black on an ordinary income-basis in the fiscal year ending March 31, 2010, and continuing to generate steady earnings thereafter.

By focusing on large bulk carriers and tankers, Universal Shipbuilding aims to become the world's strongest shipbuilder by virtue of its superior cost-competitiveness and product development capabilities.

The company is designing a shipbuilding platform that will allow it to nimbly adjust production, creating a business model that can withstand changes in the economic climate. To support this initiative, the company is hiring and fostering essential human resources and strengthening mechanisms for transferring technology and know-how to new generations of workers.

Finally, Universal Shipbuilding is examining alliances and mergers with other companies so that the company can become an even more powerful shipbuilder in the years to come.

3. Review the group management framework

To promote operational efficiency, JFE has embarked on a review of every aspect of its organization.

1) JFE Urban Development:

The urban development segment has generally achieved its initial goal of "effectively using and raising the value of properties held by the group by redeveloping idle properties, mainly through a condominium development business."

Going forward, the business will focus mainly on the use of real estate assets already held by the company. To promote group-wide efficiency, the company will reassess its business structure with the intention of eliminating redundant entities and functions.

2) Kawasaki Microelectronics:

The business environment for the semiconductor business is particularly challenging. The survival of this business demands a drastic improvement in profitability, and the company is doing everything in its power to achieve this goal. The Utsunomiya plant will be closed at the end of the fiscal year ending March 31, 2010, reducing the number of employees by about half. Kawasaki Microelectronics is also considering the future shape of its business from a broad perspective, including teaming up with other companies to take advantage of its superior technology.

3) Affiliates under each operating company

Irrespective of the domain of the operating company, JFE is realigning businesses to eliminate

operational and management redundancies to create a more efficient group-wide management structure.

4. Furthering CSR and corporate governance

The JFE Group will continue its diligent efforts to achieve full compliance, to tackle environmental issues and to promote safety because it understands each aspect is fundamental to achieving its goal of maintaining society's trust.

The group built numerous corporate governance systems and mechanisms while implementing its first and second medium-term plans. In the future, JFE will continue to pursue fair, equitable and transparent corporate governance and manage the group in conformance with the interests of its shareholders.

JFE Holdings' streamlined management structure comprises 50 people, but further operational efficiencies will be promoted by physically transferring holding company operations to the premises of JFE Steel, its largest operating company.

The graying of Japan's population and its declining birth rate raise any number of issues for every manufacturing company, such as expanding workplace opportunities for seniors and women. The JFE Group has adopted a progressive approach to these issues and its efforts, which will be strengthened further in the future, include the introduction of a system for "senior experts" and also the hiring of disabled individuals.

5. Improving financial position and returning profits to shareholders

1) Improving financial position

As of March 31, 2009, net interest-bearing debt totaled 1,550.7 billion yen (debt-to-equity ratio was 85%). JFE will continue to strengthen its financial position so that the group has the flexibility to make the major investments and advances required for future growth.

In the interests of maintaining its high credit rating, the group will seek to improve its operating profit margin and cash flow and reduce interest-bearing debt, the intention being to achieve a debt-to-equity ratio of 50%.

2) Returning profits to shareholders

Under its second medium-term plan, the JFE Group sought to raise its dividend payout ratio (consolidated basis) to 25%; its actual dividend payout ratio for the three years was 25%. In addition to paying dividends, the group also acquired more than 400 billion yen worth of its own shares, something that was not initially planned, so the total return ratio during the course of the second medium-term plan was 80%.

The JFE Group believes returning profits to shareholders is one of its most important duties within the context of its obligations to all stakeholders. This goal is especially important in times of global economic uncertainty, when prudence demands that the group re-emphasize the long-term interests of all stakeholders by placing priority on maintaining and improving its sound financial standing and implementing proactive investments that lay the groundwork for future growth.

#

For further information, please contact:

Public Relations Sec., General Administration Dept.
JFE Holdings, Inc.
Tel: +81-3-3217-4030