



JFE Group

2010

SOCIAL  
PERFORMANCE  
REPORT

挑戰

Challenging Spirit

柔軟

Flexibility

誠実

Sincerity

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# Corporate Vision, Corporate Values, and Standards of Business Conduct

## Corporate Vision

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

## Corporate Values

A Challenging Spirit, Flexibility, Sincerity

## JFE Group Standards of Business Conduct

All JFE Group executives and employees will faithfully adhere to the following Standards of Business Conduct in all facets of corporate activities. These standards were created to embody the Corporate Vision of the JFE Group and go hand-in-hand with the Corporate Values.

Senior executives are to take the lead in communicating these standards to employees throughout the group and in creating effective systems and mechanisms to ensure adherence to corporate ethical standards.

Senior executives shall be directly involved both in the resolution and implementation of measures to prevent the recurrence of any violations of these standards. They shall disclose information about violations in a timely and accurate manner both inside and outside the group, shall clarify the authority and accountability involved and shall deal rigorously with offenses.

### 1. Provide quality products and services

Earn the trust and regard of customers by endeavoring to provide quality products and services based on superior technology and by fully respecting and protecting the privacy of personal and customer information.

### 2. Be open to society at large

Endeavor to communicate with shareholders and the broader community, and actively disclose corporate information.

### 3. Coordinate and cooperate with the community

Actively contribute to the community as a good corporate citizen in a spirit of coordination and cooperation.

### 4. Globalize

Endeavor to achieve mutual understanding with people around the world, working from global perspectives and respecting local cultures and customs.

### 5. Exist in harmony with the global environment

Contribute to the achievement of better living standards and the creation of societies that exist in harmony with the global environment.

### 6. Maintain proper relations with government and political authorities

Endeavor to build and maintain sound and proper relationships with government and political authorities.

### 7. Stance towards antisocial forces

Refuse to associate with any and all elements or organizations that threaten social order and stability, and reject all illegal and improper demands.

### 8. Respect human rights

Respect all employees and members of the general public as individuals and refrain from any and all discrimination in corporate activities.

### 9. Provide challenging work environments

Provide employees with attractive, safe and challenging work environments.

### 10. Comply with laws and ordinances

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

# Together with All of Our Stakeholders



**Yoshio Ishikawa**  
Executive Vice President  
JFE Holdings, Inc.

The JFE Group, in order to realize its corporate vision of contributing to society with the world's most innovative technology, has established its Corporate Values and Standards of Business Conduct, and pursues management practices aimed at simultaneously promoting our interests and those of society.

In furtherance of those aims, the JFE Group will bring to bear all of its resources in continuously pursuing strict compliance, which is the foundation of public trust, working to solve environmental issues, and ensuring safe operations. At the same time, we will work for the benefit of all stakeholders via business activities based on impartial, fair, and transparent corporate governance.

## Customers

We are working to obtain various certifications and implement management system improvements to gain even greater customer satisfaction and trust regarding our products and technologies. In addition, by taking steps like establishing a facility for pursuing product development together with customers, we are working to anticipate customer needs and serve the ultimate purposes of contributing to improvements in competitiveness for manufacturers and other customers and broadly advancing society through the provision of high-quality products and services.

## Shareholders and Investors

The JFE Group believes it is important to properly provide shareholders and investors with company information in a timely manner. We, therefore, disseminate time-sensitive information through our website and other channels and strive to provide information on our results as early as

possible in furtherance of rapid information disclosure. We conduct plant tours, IR briefings, and other events that emphasize communication in the interest of boosting transparency to shareholders and other investors. Further, having established shareholder returns as one of our top priorities, we pursue a policy of actively distributing dividends while also working to ensure the sustainability of the entire Group.

## Local Communities

The business activities of the JFE Group, which has large-scale facilities in various locations, benefit from the understanding of local communities. To give something back to these communities, we have continuously undertaken efforts like supporting university research and other educational activities, and assisting with cultural, social welfare, and disaster response activities. We have also opened our business facilities to local community members.

## Employees

The JFE Group understands the importance of creating working environments that allow employees from diverse backgrounds to dynamically exercise their full potential. We, therefore, work to promote hiring and keep strong labor-management relations, actively promote female employees, create work environments that enable and facilitate career development, employ people with disabilities, promote better understanding and behavior regarding human rights, and strive to maintain workplaces that are safe. At the same time, we work to ensure that the skills that Japan's manufacturing industries have relied upon are passed on to younger generations and implement small group activities and take other measures to elevate the skills and capabilities of individual employees.

# Corporate Governance

## Basic Policy on Corporate Governance

The JFE Group is a business organization consisting of a holding company and five operating companies—JFE Steel, JFE Engineering, Universal Shipbuilding, JFE Urban Development, and Kawasaki Microelectronics.

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 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.

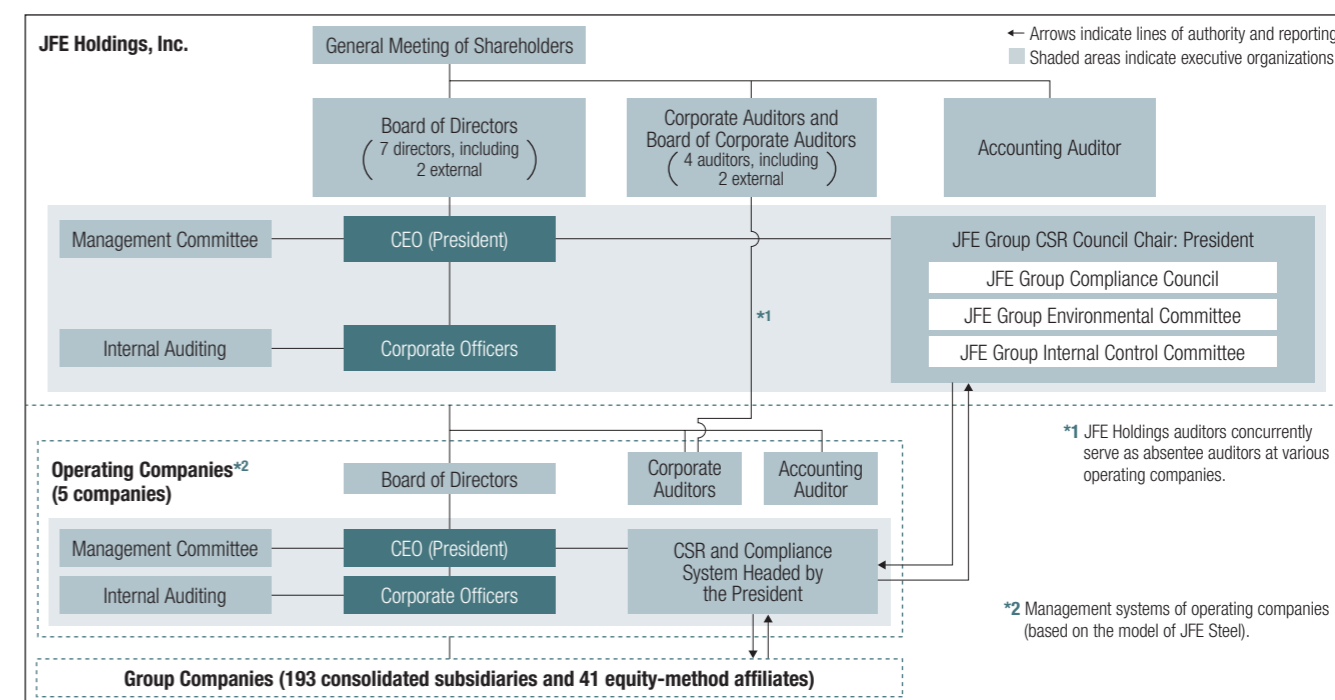
In the course of fulfilling their respective duties, the holding company and operating companies strive to maximize corporate value for shareholders and other stakeholders.

## 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 and each of operating companies have adopted a corporate officer system under which decision-making and execution are separated to clarify authority and responsibility and to accelerate execution. (excluding JFE Urban Development).

## Management Structure and Internal Control



**Activities of Outside Officers** (FY2009)

Outside officers play a key role in strengthening governance at JFE Holdings. Their activities for the FY2009 are described below.

Position at JFE Holdings	Name	Other Major Concurrent Position	FY2009 Key Activities
Member of the Board	Uichiro Niwa	Advisor, ITOCHU Corporation	Attended 10 of 12 Board of Directors meetings held during FY2009, contributing insights based on his wealth of experience in global business management and his experience in several public-sector positions.
Member of the Board	Shigeo Asai	Director, Japan Science Technology Agency Innovation Plaza Tokai	Attended all 12 Board of Directors meetings held during FY2009, making contributions based on his deep knowledge and invaluable insight gained through years of research on modern steel industry technology.
Corporate Auditor	Toshikuni Nishinohara	Special Advisor, Chuo Fudosan	Attended all 12 Board of Directors meetings and all 14 Board of Corporate Auditors meetings held during FY2009, contributing insights based mainly on his wealth of experience in business management and deep knowledge of accounting and finance.
Corporate Auditor	Takaaki Wakasugi	Professor, Faculty of Business Administration, Tokyo Keizai University	Attended 8 of 12 Board of Directors meetings and 12 of 14 Board of Corporate Auditors meetings held during FY2009, making contributions based on his many years of scholarly pursuits mainly regarding corporate governance and finance.

\* The terms of Member of the Board Uichiro Niwa and Corporate Auditor Takaaki Wakasugi expired with the regular General Meeting of Shareholders held in June 2010. At the same meeting, Akimitsu Ashida, Representative Director and Chairman of the Board of Mitsui O.S.K. Lines, was appointed to the position of Member of the Board, and Hiroyuki Itami, Head of the Specialist Graduate School of Management of Science and Technology of the Tokyo University of Science, was appointed to the position of Corporate Auditor.

**WEB** More information on the current management is presented below.  
[www.jfe-holdings.co.jp/en/company](http://www.jfe-holdings.co.jp/en/company)

**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.

**Structure of Management Committee**

Company Name	Chairman/Secretariat	Attendees
JFE Holdings	Chairman: President Secretariat: Corporate Planning Dept.	Corporate Officers, President of JFE Steel, President of JFE Engineering, Corporate Auditors
JFE Steel, JFE Engineering, Universal Shipbuilding	Chairman: President Secretariat: Corporate Planning Dept.	Members of the Board, main Corporate Officers, Corporate Auditors

**Optimal Business Management Systems**

The JFE Group employs management systems tailored to the needs of individual Group members through unifying the strategy development and earnings management for individual products and operations.

JFE Steel	Product-sector system
JFE Engineering	Business-sector system
Universal Shipbuilding	Business-division system

**Other**

Technology development involving multiple Group members and IT initiatives are deliberated in Groupwide management organs.

JFE Group Technology Development Committee
JFE Group IT Committee

**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 organizational and operational matters, information storage and management, and violence countermeasures, as well as rules for meetings such as the Board of Directors, Management Committee, and JFE Group CSR Council. A Corporate Ethics Hotline has also been established. To sustain increases in our corporate value, we regularly confirm the existence and operation of internal controls and make improvements where necessary.

**WEB** Basic Policy for Building an Internal Control System  
[www.jfe-holdings.co.jp/en/company](http://www.jfe-holdings.co.jp/en/company)

**Strengthening Internal Controls Internal Audits**

JFE Holdings, its principal operating companies, and important group companies have all established internal audit organizations (with a total staff of 166 across all of the companies mentioned as of April 1, 2010) that are auditing each company's operations. In addition, the various internal audit organizations share information in an effort to enhance internal audits of the Group as a whole. The internal audit managers from each of the principal operating companies also serve concurrently as internal audit managers for JFE Holdings strengthening ties within the Group.

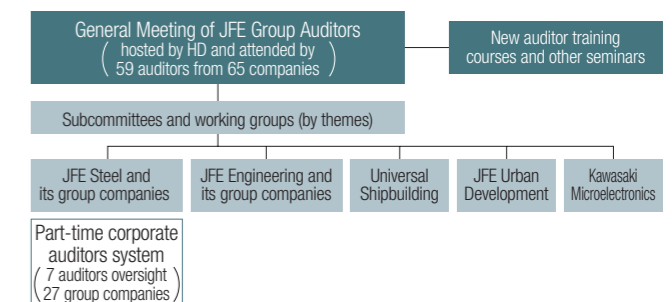
**Audits by Corporate Auditors**

JFE Holdings, the operating companies, and group companies, in addition to undergoing statutory audits, also work to enhance audits by Corporate Auditors and strengthen ties among Corporate Auditors through the following activities.

- A total of 52 full-time auditors have been appointed for 39 companies, including JFE Holdings, and parent company staff are dispatched to subsidiaries as part-time external corporate auditors to perform the duties of corporate auditors. Each absentee auditor performs the functions of a corporate auditor for 3-4 subsidiaries (7 absentee auditors serve a total of 27 companies), enhancing Group governance.
- The JFE Group Board of Auditors is composed of the full-time auditors of each group company and absentee auditors. Subcommittees and working groups are created to address particular themes and meet autonomously throughout the year to share informa-

tion, research issues, and enhance their understanding (refer to the diagram below.) The results of their activities are presented at the General Meeting of JFE Group Auditors and applied by individual Corporate Auditors in audit activities.

**Structure of JFE Group Board of Auditors**



**Cooperation between Corporate Auditors and Accounting Auditors**

The Corporate Auditors hold scheduled and unscheduled meetings (a total of six during FY2009) with the accounting auditor (Ernst & Young ShinNihon) in which the latter presents its audit plan, updates on audit work, and detailed information on audit results. During these meetings the Corporate Auditors also receive detailed explanations regarding the accounting auditor's quality management system, explain their own audit plan and other matters to the accounting auditor, and share opinions on various matters with the accounting auditor.

**Cooperation between the Corporate Auditors and the Internal Auditing Department**

The Corporate Auditors hold scheduled and unscheduled meetings (a total of five during FY2009) with the internal auditing department in which the latter presents its internal audit plan, updates on internal audit work, and detailed information on internal audit results. During these meetings the Corporate Auditors share opinions on various matters with the internal auditing department.

**Operating Company Governance**

To help strengthen operating company governance, members of JFE Holdings management attend each operating company's General Meeting of Shareholders and Management Planning Briefing, receive reports on each operating company's business activities, discuss subsidiary management policies, and engage in other forms of shareholder oversight as representatives of the holding company.

## 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.

## Major CSR Activities for FY2009

### JFE Steel

JFE Steel, defining CSR as “boosting corporate value by increasing stakeholder satisfaction,” regards environmental protection, safety, disaster prevention, compliance, and other matters fundamentally impacting its continued existence as its most pressing concerns.

The CSR Council, which is chaired by the Company's president discusses CSR matters and policies, and monitors the implementation status of CSR measures. During FY2009, CSR Council meetings were held on 10 occasions during which CSR matters were discussed by 11 committees. As an example of a specific activity undertaken by a committee, Raising CSR Awareness Committee conducted the Corporate Ethics Awareness Survey in September 2009. All 15,000 employees were asked to complete this survey—the third iteration since 2005—and results indicated improving awareness on most of the tested items.

The Risk Management Committee continuously monitored measures taken to address identified risks and developed new rules for plant

operations, sales, and other business processes in preparation for situations like major absenteeism related to an epidemic of a novel type of influenza.

The Environmental Committee considered and implemented measures like ones for protecting environments adjacent to steelworks and other facilities and for putting to use the byproducts of steelmaking. It also resolved to pay special attention to revisions in environmental laws and regulations and respond appropriately.

During FY2010, it will continue to focus on: 1) Establishment of a PDCA (Plan-Do-Check-Action) cycle and 2) Strengthening CSR awareness.

### JFE Engineering

JFE Engineering, in order to pursue business activities based on management rooted in CSR, has designated compliance, safety, disaster prevention, and environmental protection as four basic areas of responsibility, and is working to ensure that these responsibilities are thoroughly met. With regard to compliance in particular, the company has established compliance with the Antimonopoly Law as its most pressing concern. It is working to increase employee awareness of its importance through compliance training and the distribution of its Compliance Guidebook, and acting to prevent violations of the Antimonopoly Law by improving business processes and implementing operational reforms.

### Universal Shipbuilding

Universal Shipbuilding is promoting business activities that comply with the JFE Group Standards of Business Conduct. In so doing, it is paying special attention to compliance, the environment, and internal controls. During FY2009, it organizationally strengthened the Compliance Committee, pushed ahead with measures to sever relationships with antisocial forces, and distributed the Compliance Guidebook to all employees. During FY2010, it will actively pursue internal training and education activities to enhance CSR awareness.

## Other JFE Steel Group Companies

JFE Steel distributes CSR News to each JFE Steel group company in support of each company's CSR activities.

— CSR推進第11号目次 —

(各欄またはページ番号をクリックしていただくとその記事のページをご覧ください)

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CSR News

## CSR Audit

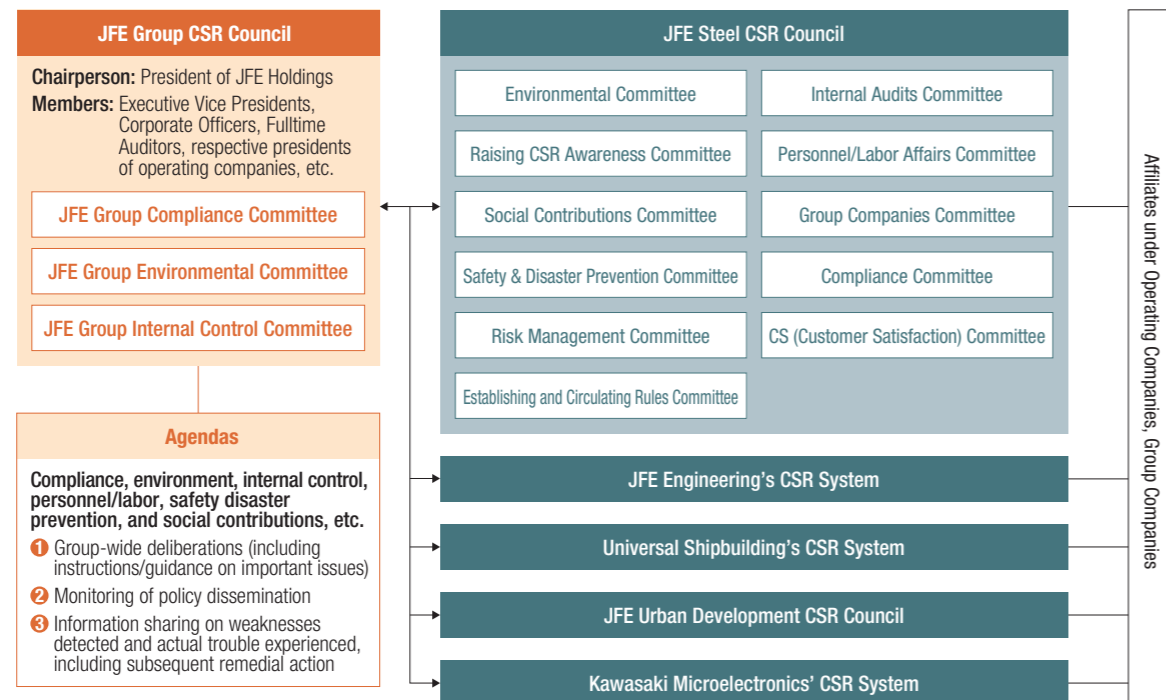
To ensure that activities with CSR significance are properly handled, the JFE Group's internal auditing department incorporates CSR themes like environmental management, compliance with the Antimonopoly Law, expense management, overseas office management, tax law compliance, and safety management in 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. By the end of FY2009, audits were performed at a total of 221 JFE Steel business locations.

## CSR Structure



JFE Steel's Environmental Audit Confirmed offices by the end of FY2009

Total 221

### Risk Management System

The JFE Group has implemented risk management measures to risks to continue 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. Particularly significant risks are re-examined annually and important issues are identified for each fiscal year.

### Measures to Address New Flu Viruses

The JFE Group has reinforced its risk management and safety measures to address the emergence of new flu viruses.

JFE Steel issued its Provisional Policies for Addressing New Flu Viruses in December 2007 and updated them in March 2009. The updated policies present the Company's basic ideas on business continuity plans for the emergence of new flu viruses and identify key operations. JFE Steel is also developing plans regarding personnel required for key operations, and examining issues regarding the environments and investments necessary to address the outbreak of a new flu virus. Furthermore, the Company is working to educate employees, creating rules for organizational measures like having employees work from home during an outbreak, and moving forward with preparations like anticipating legal issues that may arise in the wake of an operational shut down to prevent a virus from spreading.

JFE Engineering has implemented measures for employees heading out on and returning from domestic or international business trips, established procedures to take when employees or family members become ill, and is working to ensure that all its employees and group companies understand these measures and procedures.

Universal Shipbuilding established measures to address the spread of illness and is working to ensure that its employees understand these as well as steps to prevent infection.

### Measures to Address Major Earthquakes

JFE Steel is moving forward with efforts to establish specific recovery measures to provide for the continuation of core businesses in the wake of a major earthquake affecting Tokyo or other areas important to its operations.

#### Basic Ideas regarding Business Continuity Planning for Earthquakes

JFE Steel has identified potential barriers to the continuation of operations following a major earthquake, established measures for overcoming them, and taken steps to ensure these measures can be implemented. The business continuity plan for earthquakes:

1. Assumes major damage to operations
2. Assumes that only limited resources will be usable following a major earthquake and focuses on key operations that should be continued
3. Considers the types of damage that could endanger the continuation of key operations
4. Identifies important elements that is essential for the continuation of operations and, in case of emergency, the absence of such elements could hinder the restoration of key operations
5. Establishes and clearly communicates time targets for restoring key operations
6. Includes preparations to minimize damage

### Elimination of Antisocial Forces

The JFE Group has established the JFE Group Policies for Addressing Antisocial Forces and works to ensure sound company management through uniform, organizational measures.

### JFE Group Policies for Addressing Antisocial Forces

The JFE Group aims to completely avoid any relationships with antisocial forces, and the general administration and legal affairs divisions of group companies have been designated as the organizational units responsible for dealing with issues

related to antisocial forces. These divisions report any incidents involving antisocial forces, establish rules for dealing with such incidents, and will work with police and other authorities to resolutely address matters involving antisocial forces.

### Initiatives for the Exclusion of Antisocial Forces

#### Establishment of the JFE Group Standards of Business Conduct

The JFE Group Standards of Business Conduct clearly state that it refuses to associate with any and all elements or organizations that threaten social order and stability, and rejects all illegal and improper demands.

#### Establishment of the Regulations for Addressing Violence Directed at Companies

The Regulations for Addressing Violence Directed at Companies have been established and standards for addressing antisocial forces—including a manual for initial steps to take in responding to violence targeting companies—have been clearly specified.

#### Training

Thorough understanding of the JFE Group Policies for Addressing Antisocial Forces and specific response standards are promoted among all executives and employees through training and steps like distribution of the Compliance Guidebook.

#### Database Construction and Agreement Terms Fighting Organized Crime

A database of antisocial forces is being constructed and terms aimed at fighting organized crime are being included in agreements.

### Information Security System

The JFE Group has constructed an information management system that allows it to appropriately and smoothly pursue business operations.

### Prevention of Information Leaks

#### Prevention of Information Leaks Caused by Loss or Theft

1. Use of security wires to protect hardware
2. Encryption  
(Encryption of certain hard disk areas)
3. Limits on the use of removable media
4. Office entry controls
5. Use of vein authentication to control access to server rooms

#### Prevention of Information Leaks from PCs

1. Startup authentication
2. Maintenance of logs for the transfer of data to external media
3. Limits on the use of removable media

#### Prevention of Information Leaks via E-Mail and the Internet

1. Checks for e-mail sent to external parties
2. Retention of e-mail transmitted
3. Limits on the use of Web-based e-mail
4. Limits on the use of Web-based bulletin boards, etc.
5. Development of antivirus measures for LANs and measures to defend against spyware

In addition, the JFE integrated security system (electronic authentication and encryption) and other measures are used to defend against attacks involving false IDs and efforts to steal or falsify information.



Personal computer security based on fingerprint authentication

Copies of Compliance Guidebook distributed (2009 supplemental version)

About **68,000** copies

## About Compliance

Nowadays, every aspect of business activities is scrutinized with regard to Corporate Social Responsibilities (CSR), and society demands high levels of fairness and transparency. Companies that neglect this pay the price in terms of losses of credibility that threaten their very existence. Under the above recognition, the JFE Group places compliance—the foundation of CSR—as a key management concern, and it has 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

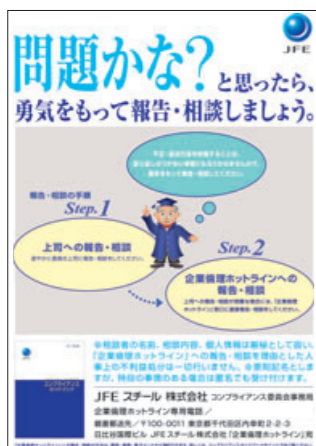
### Corporate Ethics Hotline

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.

During FY2009, the Corporate Ethics Hotline received 35 calls regarding matters at JFE Holdings and its operating companies. In each instance, facts were confirmed and callers were provided with response feedback. Access to the hotline has now been extended to group companies as an important step in strengthening compliance within the JFE Group.

Number of cases the Corporate Ethics Hotline handled in FY2009

**35**



Poster

## 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. In preparing the guidebook, the various responsible organizational units within the JFE Group painstakingly identified routine matters that can be unclear or confusing, prepared explanations, and had legal reviews performed by attorneys. The guidebook is used in Compliance Training held at individual workplaces in which employees read through it.



Guidebooks

## Awareness Survey

The JFE Group conducts its Corporate Ethics Awareness Survey to quantitatively assess employees' ethics awareness, keep all employees informed about the corporate vision, and identify risks. Results from recent surveys indicate that a majority of employees believe compliance awareness and behavior have improved. Awareness of corporate policies and values has greatly improved, and compliance systems and activities have steadily taken hold among employees.

Awareness survey results and other information are being used to take steps that further improve the Group.

## 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.

In addition, compliance education is being conducted in job-level, new-hire, and other types of training.

### Main Trainings at Each Group Company

	Training Themes	Number of Participants
JFE Steel and its group companies	Antimonopoly Law	Total 808 in 30 sessions
	Other law-related trainings	Total 1,355 in 34 sessions
JFE Engineering	Construction Business Act	Total 937 in 42 sessions
	Antimonopoly Law, etc.	Total 470 in 21 sessions
Universal Shipbuilding	Prevention of insider trading	712 (E-learning courses)
	Management of confidential information	338 (E-learning courses)
Kawasaki Microelectronics	Security Export Control	93 (E-learning courses)
	Management of information security	356 (E-learning courses)

## Compliance Pledge

At the JFE Group, individual employees annually

set job goals and on that occasion pledge to comply with all laws and internal and external regulations in the performance of their work. Having employees make that pledge helps to foster compliance awareness.

## Compliance Training

JFE Steel has designated October as "Compliance Month." During this month, individual worksites conduct a "Compliance Training" which encourages employees to know, think, and gain a better understanding of the rules of JFE Steel, including their objectives and meanings. Individual departments hold sessions in which parts of the Compliance Guidebook, as well as supporting information, legal passages, internal regulations, and other information posted by the Legal Affairs Department on the intranet, are read through in an effort to foster awareness of the need for compliance and encourage consideration of whether work practices actually comply with relevant laws and regulations. After the completion of these activities, work practices are revised where necessary and rules are revised via appropriate procedures.

## 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.

In addition, the internal auditing departments of both companies are helping their organizations to measure if any aspects of contacts with other companies could be viewed as violating the Antimonopoly Law, and taking other actions, as

well, to determine whether initiatives aimed at promoting compliance with the Antimonopoly Law are functioning properly. Audits are regularly conducted at all business locations, including those of affiliates and branch offices.

### 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

In addition, JFE Steel examines the activities of external organizations in which its sales department is involved, and JFE Engineering is working to improve the transparency and other aspects of its order acceptance process.

## Quality Assurance System

### JFE Steel

JFE Steel has acquired ISO 9001 and various other QA certification 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 framework standardized with quality control manuals. As one example, the material testing facilities at the Chita Works were refurbished to meet the requirements of high-performance products, and testing equipment was rearranged according to function, to help assure customers who are observing tests that they can rely on JFE. In addition, its group companies are also working to reinforce quality assurance systems and constantly improve quality.



Material testing facilities

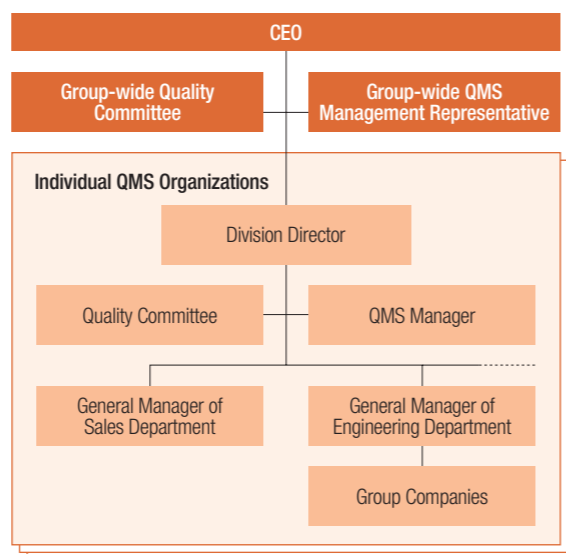
### JFE Engineering

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

#### Organization Chart of JFE Engineering's QMS



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.

### JFE Steel

#### Establishment of a Research and Testing Facility Where Products Can Be Developed Together with Customers

JFE Steel, in an effort to increase customer satisfaction, has established a research and testing facility that enables product development in cooperation with customers. This facility includes the Customers' Solution Lab specifically for auto industry customers, the Steel Structural Materials Solutions Center mainly for purposes related to heavy steel structures and applications of thin-sheet construction materials, an exhibit area highlighting the latest research results, an area for studying structures and material compositions, as well as laboratories and meeting rooms. Going forward, the company aims to rapidly turn out high-value-added products by energetically advancing research in cooperation with customers.



Steel Structural Materials Solutions Center



Customers' Solution Lab

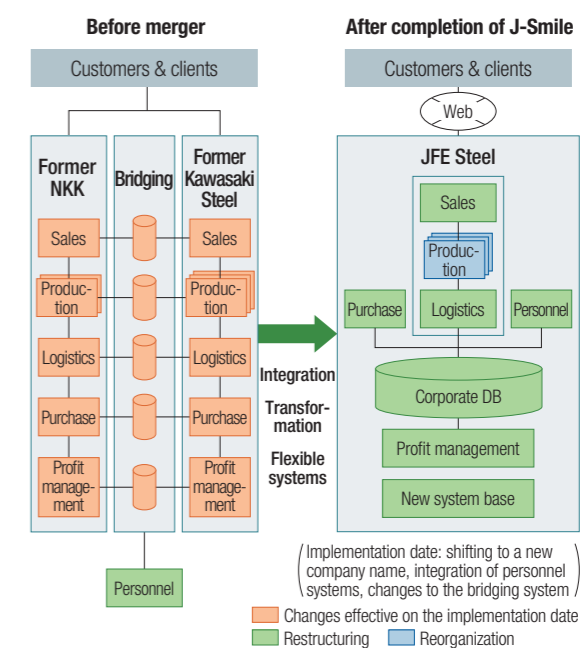
## New Operation System Launched

Aiming to build management information infrastructure and an operational base that make the most of management resources and increase customer satisfaction, JFE Steel launched its new J-Smile system in March 2006. This system integrates the operation systems of the two companies—NKK and Kawasaki Steel—that were merged to create JFE Steel.

With the implementation of the J-Smile system, JFE Steel established a foundation for achieving the merger purposes of continuously adapting to future business conditions and realizing additional growth. Since implementation, the company has strengthened its ability to respond to customer needs in areas like lead time, delivery time, quality assurance, and new product development. Furthermore, it has revamped existing systems not only in its head office but also at its steelworks, integrating operations and management.

In recognition of its success in realizing operation processes and systems that facilitate management innovation, the J-Smile system was named the winner of the 2006 Minister of Economy, Trade and Industry Award for Companies at the 2006 Prizes for Contributions to Informatization in Japan, 2nd Prize at the IT Japan Awards 2007, and the World Information Technology and Services Alliance IT Prize 2008.

#### Outline of Newly Integrated Operation System





**Development of Customer Strategies**

JFE Steel is always aware of business conditions of customers. It regularly conducts customer surveys and interviews to develop business strategies, which are shared among sales departments, business planning department, steelworks, and research laboratories. The implementation at the organization level allows us to accelerate operations while improving customer satisfaction.

**Development of Sales Personnel Who Excel in Building and Maintaining Customer Relations**

To develop sales personnel who can discuss technical matters with customers, make rapid decisions on and implement initial responses to complaints, and recognize and diligently champion new customer needs as product development hints, JFE Steel conducts basic courses on steelmaking materials for newly appointed sales personnel. It has also prepared product technology texts for particular components, end uses, and other sectors and fields.



Training session

**JFE Engineering**

**Application of Customer Information**

JFE Engineering uses customer surveys and interviews regarding delivered products and services, and evaluations of construction work performed, to gather customer feedback on construction management, product quality, advanced technologies, and innovativeness. This information is then analyzed by marketing, design, manufacturing, and research divisions, and used for purposes such as improving quality, developing new products, and enhancing follow-up services with the overriding goal of maximizing customer satisfaction.

**JFE Urban Development**

JFE Urban Development Corporation focuses on follow-up services as a way to increase customer satisfaction. Its Customer Center takes in requests for follow-up service for condominium units it has sold and provides rapid, detailed responses.

To help ensure tight security for personal information, it uses a finger-vein authentication to control entry to offices where customer data is handled and retains logs of entries to these rooms.

**JFE Group Companies**

**Performance of Appropriate Export Procedures**

To prevent the spread of weapons of mass destruction and the excess accumulation of conventional weapons with the aim of helping to maintain international peace and security, JFE Steel carries out export inspection to confirm final destinations, customers, and applications, and holds internal briefings conducted by Legal Affairs Department, in order to ensure thorough understanding and compliance with the Foreign Exchange and Foreign Trade Act and other export-related laws and regulations. Similarly, Kawasaki Microelectronics uses e-learning-based instruction on export security control, and takes other steps, to help ensure that it performs appropriate export procedures.

**Participation in Eco-Products 2009**

In December 2009, the JFE Group participated in Eco-Products 2009, Japan's largest environmental exhibition held at Tokyo Big Sight. Basic environmental stance, environmentally friendly technologies and products of the JFE Group were presented there.



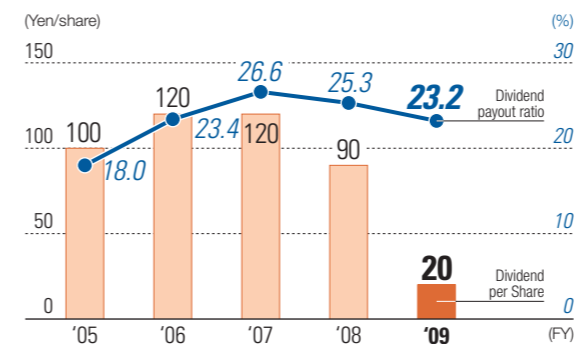
Eco-Products 2009

**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.

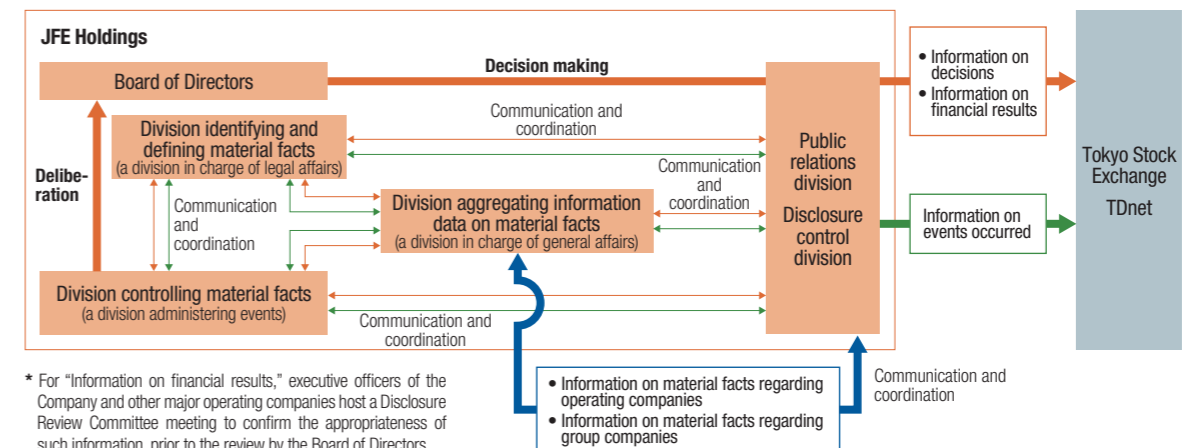
**Timely and Appropriate Information Disclosure**

To preserve its credibility in the securities markets, the JFE Group has set forth internal regulations regarding material facts and established organizational units for managing information and making decisions on and implementing timely disclosures. We also make timely and appropriate disclosures of important company information in addition to issuing the securities filings, quarterly reports, extraordinary reports, and other statutory disclosures called for by the Financial Instruments and Exchange Act.

Dividend payout ratio for April 2007–March 2010

25% (average)

**Information Disclosure System**



**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.

In addition, to help shareholders better understand the Company, we have been holding plant tours and company briefing sessions since FY2006. In FY2009, we held a total of 20 tours and briefing sessions for a cumulative total of 1,814 shareholders at the JFE Steel East Japan Works (Chiba and Keihin) and West Japan Works (Kurashiki and Fukuyama), the JFE Engineering Tsu Works, and at Universal Shipbuilding Tsu Shipyard. Over the four years we have offered tours and briefing sessions, we have welcomed over 9,400 participants and plans are in place to continue holding tours and briefing sessions in FY2010.



Shareholders on a plant tour

**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 targeting institutional investors, we strive for fair disclosure through activities such as online publication of materials.

For individual investors, we actively disseminate information through channels like company briefing sessions held at the branch offices of securities firms and other places, transmission of video interview with the top management, and an IR email service for those who register ahead of time.

We send, in principle, English-language versions of important press releases to investors in overseas locations when the Japanese version is released, and take other such steps to ensure they are provided with the same information as Japanese investors.

Looking at the future of IR (Investor Relations), we believe it is important to determine the kinds of companies markets and institutional investors view as having bright futures, find out how JFE is seen, and provide this information to operating and group companies.

Toward that end, we embarked on efforts to strengthen our IR activities by establishing IR sections in our financial and IR departments in October 2009.

**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"

**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 foundation has a budget of 78 million yen.



Presentation ceremony

**Technical Research Assistance**

The foundation has been providing research assistance on a competitive basis to promote technology research at universities since FY1991. During FY2009, 394 grants totaling 790 million yen were awarded to universities all of which were very thankful for the foundation's efforts to support research. Among the most recent grants, 11 were for the support of steel technology research and 10 were for environmental technology research. Each grant was worth 2 million yen and the foundation's total support for these two research areas came to 42 million yen. Reports on research results are posted on the foundation's website.

**Support for Asian History Studies**

The foundation began awarding grants to support Asian history studies at Japanese universities in FY2005. During FY2009, 77 applications were received and 7 grants (each worth 1.5 million yen) totaling 10.5 million yen were ultimately awarded.

**Support for Educational Activities in Areas Associated with Steel**

Since FY1991, the foundation has been sponsoring the JFE 21st Century Foundation prizes for the writing (essays and Japanese and

western-style poetry) contest operated by Japan Overseas Educational Services for Japanese elementary and middle school students studying overseas. Copies of "Chikyu ni Manabu" (Learn from the Earth), a collection of the winning entries for FY2009, were presented to 480 elementary schools, 215 middle schools, 116 public libraries, and 11 education committees.

**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
<ul style="list-style-type: none"> <li>• Jo Chihun Cup Go Competition (Chiba)</li> <li>• Chiba Prefectural Youth Go Competition (Chiba, Funabashi)</li> <li>• International Music Day Concert, Chiba Citizens' Music Festival (Chiba)</li> <li>• Citizens' Special Performance of Beethoven Symphony No.9 (Chiba)</li> <li>• MUZA Lunch &amp; Night Concert (Kawasaki)</li> <li>• ART KAWASAKI 2009 (Kawasaki)</li> <li>• Community Festival (Kawasaki)</li> <li>• Yokohama Children's International Peace Speech Contest (Yokohama)</li> <li>• Handa Community Industrial Festival (Handa)</li> <li>• Mie Prefecture High Schools' Robot Tournament (Tsu)</li> <li>• Kurashiki Music Festival (Kurashiki)</li> <li>• Kurashiki Shogi Tournament (Kurashiki)</li> <li>• Fukuyama Rose Festival (Fukuyama)</li> <li>• The World of Matsuri (Fukuyama)</li> </ul>

Total grants for technical research

394 projects  
790 million yen

Total grants for Asian history studies

39 projects  
58.5 million yen



Kurashiki Music Festival

**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 Nihon Ki-in**

The Nihon Ki-in engages in various public-service activities related to the Japanese game of i-go. Igo

has attracted attention from the social welfare, medical, and educational communities for being not just a game but also a useful tool for invigorating the brain, something around which people focus their lives, and a center of social activity. Igo is a lifelong learning interest and an integral part of life for many people, serves as an important focus of communication in many communities, and plays a useful role in the sound development and enrichment of children and teenagers. JFE Holdings supports the aims and activities of the Nihon Ki-in.

**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 intern-

ships 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. In FY2009, the company held 11 tours for a total of 709 elementary school students.

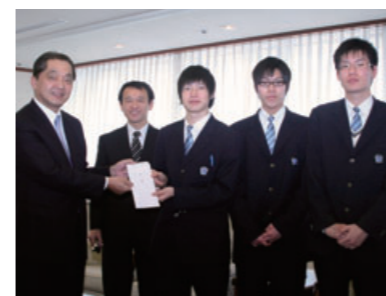


Manufacturing Classroom

**Support for High School Essay Contest**

The Japan Science & Engineering Challenge (JSEC) is a national science paper contest for high school and technical college students. It is sponsored by the Asahi Shimbun and backed by the Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology, and other national government agencies, the Physical Society of Japan, the Japan Institute of Invention and Innovation, and other scientific societies.

JFE Steel began supporting JSEC in 2006 based on its desire to help foster the development of future scientists and engineers. In 2009, the JSEC JFE Steel Prize was awarded to Ehime Prefectural Nagahama Senior High School and JFE Steel presented the school with an additional award of research equipment.



Awards Ceremony of JFE Steel Award

**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**

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

**JFE Engineering and Universal Shipbuilding**

<b>Autumn Festival in Tsu</b>	October 17, 2009	Co-sponsored by JFE Engineering Tsu Works and Universal Shipbuilding Tsu Shipyard
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**Universal Shipbuilding**

<b>Ariake Family Festa</b>	October 3, 2009	Ariake Shipyard
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Community Festival (Keihin area)



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. Furthermore, the company is devoting significant time and effort to the establishment of a program for developing people to help junior and mid-level employees improve their techniques and skills, and here, too, rehires are being asked to act as instructors in passing on their knowledge.

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.



Passing on skills to next generations (Universal Shipbuilding)

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.

### Human Resource Development

To develop professionals who are expert in particular areas, JFE Steel has put together an OJT-based training system. And to supplement this system, the company has enhanced its foreign study and off-the-job training programs, which not only help employees elevate their professional knowledge and expertise but also offer the JFE College internal curriculum aimed at helping employees obtain business and management skills.

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. Furthermore, we are considering possibilities for expanding the breadth of areas to which women are assigned and taking other steps, as well, to increase the range of roles women play throughout the Group.

As of April 2010, JFE Holdings and its operating companies had approximately 6,700 career-track employees (about 5,200 in management positions), among which were around 130 women (around 50 in management positions).

### Work-Life Balance

The JFE Group is striving to create pleasant, productive working conditions, and make itself an even more attractive employer. Going forward, we will continue our efforts to identify employee needs through regular dialogues with labor unions and other parties, and make appropriate improvements in working conditions.

#### 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.

#### Child Care/Nursing Leave Taken by Employees

	FY2007	FY2008	FY2009
Child care leave	24	33	38
Nursing leave	1	3	1

### Employment of People with Disabilities

To provide opportunities for people with various disabilities to fully exercise their capabilities, the



Mie Data Craft

JFE Group operates three special subsidiaries: JFE Apple East Corporation, JFE Apple West Corporation, and Mie Data Craft Co. Ltd.

#### Employment Rate of Persons with Disabilities (as of June every year) (%)

	FY2008	FY2009	FY2010
JFE Steel	2.05	2.00	1.99
JFE Engineering	1.96	2.06	2.06
Universal Shipbuilding	1.68	1.68	1.40
Kawasaki Microelectronics	1.86	2.02	3.33

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

### 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.

To prevent sexual harassment, we have taken steps like establishing relevant work regulations, holding training, displaying posters, and setting up hotlines staffed by multiple men and women at each business location. Training is also held to prevent power harassment. And, during human rights week, leaflets, including messages from management, are distributed and employees are encouraged to submit slogans.



Human rights training course (JFE Steel)

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

2,675

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

■ JFE Steel

1.99%

■ JFE Engineering

2.06%

■ Universal Shipbuilding

1.40%

■ Kawasaki Microelectronics

3.33%

### 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 basic philosophy of "safety first," JFE Steel has been striving to enhance and strengthen its safety measures under the 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 approximate 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 its basic 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.

### Disaster-Prevention Measures

Each member of the JFE Group conducts disaster-prevention training regularly.

JFE Steel conducted companywide disaster-prevention training for the fourth time in October 2009. For this exercise, it was assumed that an earthquake of an intensity in the lower 6 range had occurred in the Fukuyama area of Japan during the day on a weekend and that the area had sustained damage.

In response to this imaginary earthquake, a local response headquarters was established at the West Japan Works (Fukuyama and Kurashiki) and a companywide response headquarters was established at the company's head office. Support headquarters were established at the East Japan Works and Chita Works. Groups stationed at these locations to handle tasks like personnel relief and supply, securing production and addressing customer needs, operational restoration, information systems management, shipping, and external relations worked with each other to fulfill their roles in a very realistic fashion. To enhance abilities to mount responses exactly suited to whatever disasters might occur, reports and instructions were communicated using e-mail, faxes, and other conventional communications, as well as satellite phones, which promise usability even during a disaster, and the local response headquarters in the Fukuyama area was set up outdoors.

As JFE Steel works to strengthen its disaster-preparedness, the results of this training will be used to improve understanding of the requirements and issues related to the task of continuing operation after a disaster has occurred.

JFE Engineering, meanwhile, has prepared its Earthquake Disaster Manual (portable size) to provide employees with guidance on responding to an earthquake disaster. This manual has been distributed to all employees in an effort to ensure everyone understands what is expected of them when a disaster occurs.

### 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's initiatives in addition to the above measures

6. Reviewing of health management measures at industrial physician meetings
7. Hosting of a case study review meeting by industrial physicians
8. Establishment and maintenance of a health management system
9. Response to the specified health education
10. Preparation and implementation of preventive measures against H1N1 influenza

### Development of Dynamic Work Environments

#### Building Sound Labor-Management Relations

The JFE Group works to build sound, constructive labor-management relations.

JFE Steel, believing that honest communication is the foundation for sound labor-management relations, has established the Labor-Management Business Discussion Committee, which brings the company's president and other executives together with labor representatives four times a year to discuss topics like current management issues and management policies. Establishment of this committee is but one example of how JFE Steel is working to promote an active labor-

management dialogue.

JFE Engineering and Universal Shipbuilding have established Central Labor-Management Committees and create other opportunities for their presidents and other executives to share opinions with labor representatives.

#### Management Meetings with Junior Employees

JFE Engineering arranges for executives to meet several times a year with career-track employees who have been with the company for up to 7-8 years (depending on the department). The purpose of these meetings is to promote understanding of management policies and motivate young employees, mainly utilizing the company's conference facilities. On these occasions, employees are encouraged to freely express their opinions, which the company considers in policy- and decision-making activities.

#### Creating a Dynamic Workplace through Small Group Activities

At JFE Steel, somewhere around 1,500 small groups pursue J1 Activities that are producing results in important workplace areas like quality improvement and work improvement. In addition, the JFE Family Result Reporting Conference, which includes participation from domestic and overseas group companies, is held twice a year and winning groups are dispatched to overseas locations. These efforts and others like them are intended to invigorate J1 Activities.

In a similar vein, over 200 small groups are pursuing JE1K-UP Activities at JFE Engineering and its group companies. The "K" in JE1K-UP stands for "kaizen, koritsu, keiken, katsuryoku, and kaeru" (Improvement, efficiency, experience, dynamism, and change). Through JE1K-UP Activities, workplaces form unified groups to exercise creativity and innovation in addressing important issues.

Meanwhile, at Universal Shipbuilding, individual workplaces address issues related to areas like work improvement, quality assurance, and companywide activities. In addition, the company creates opportunities for each of its offices and shipyards to show how it succeeded in solving these issues.

Rate of lost-worktime injuries in 2009

JFE Steel

0.21

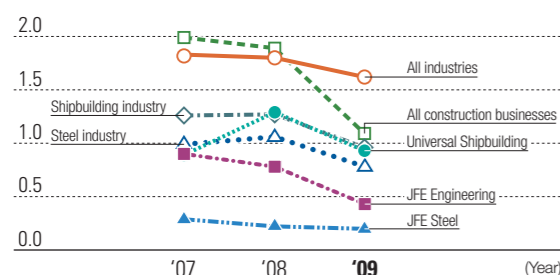
JFE Engineering

0.43

Universal Shipbuilding

0.93

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



Disaster-prevention training

**Employee Recognition Awards**

The JFE Group has an awards program for recognizing the outstanding accomplishments of employees, companies, and organizational units with regard to business activities and operations.



Awards Ceremony of JFE Steel President's Award

**Major Internal Awards in FY2009**

Name	Projects	Departments
<JFE Steel> JFE Steel President's Award	Construction of a high-efficiency, quick-turnaround production system at the West Japan Works	Engineering Dept., JFE Steel West Japan Works
<JFE Steel> New Product Development Award	Electromagnetic steel for hybrid automobile driving motors J-CCOREs cost-calculation and profit-management software package	Electromagnetic Steel Sheet Research Dept., JFE Steel Research Laboratory JFE Systems
<JFE Engineering> Award for the Top Revenue-Generating Team	Undertaking a decentralized water resource supply system project in Australia	Aqua Engineering Division of Environmental Solutions Sector, JFE Engineering
<JFE Engineering> Award for the Best Invention	Development of the new, compact JFE Ballast Ace ballast water treatment system	Ship Machinery Division, Industrial Machinery Sector, JFE Engineering
<Universal Shipbuilding> President's Award for Outstanding Performance	Addition of OSVs (Offshore Support Vessels) as new principal products after developing and receiving orders for these vessels	Specialized Ship Sales Section, Universal Shipbuilding

**External awards**

**Major External Awards in FY2009**

Name of Prizes/Awards	Sponsors	Projects
The 56th Okochi Memoriari Production Prize (FY2009)	Okouchi Memorial Foundation	Development of nano-scale surface-treated high-performance steel sheet for automobiles
The 42nd Annual Ichimura Industrial Awards—Contribution Prize (FY2010)	The New Technology Development Foundation	"HBL $\phi$ 385" 550N/mm $^2$ TMCP steel for structural applications
The 11th Infrastructure Technology Development Award—Excellence Award	Ministry of Land, Infrastructure and Transport	Artificial stone blocks made of steel slag hydrated mix (JFE Steel)
The 3rd Monozukuri Nippon Grand Award—METI Minister Special Award	Ministry of Economy, Trade and Industry, etc.	High-performance, high-strength steel plate (JFE Steel)
The 3rd Monozukuri Nippon Grand Award—Excellence Award	Ministry of Economy, Trade and Industry, etc.	J-STAR next-generation CO $_2$ arc welding technology (JFE Steel, JFE Engineering)
2009 Invention and Creation Awards for Safety, Health and Comfort of People, gold titled.	Japan Industrial Safety & Health Association	JFE Steel's West Japan Works (Kurashiki)
The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology (Development Category)	Ministry of Education, Culture, Sports, Science and Technology	Development of on-line accelerated cooling technology based on upper-limit cooling speed (JFE Steel East Japan Works Chief Kazuo Omata)
The 29th Engineering Award	Engineering Advancement Association of Japan	Recovery of oil tanker VOC emissions (JFE Engineering and others)
The Japan Gas Association's Technology Award (2009)	The Japan Gas Association	Gyro Pig 3D linear measurement device for gas pipelines (JFE Engineering)
The 4th JSME Excellent Product Award	The Japan Society of Mechanical Engineers	Swing Mixer propeller-type submerged mixer with rotating arm for sewage treatment (JFE Engineering)
The 35th Environmental Devices Awards: the Chairman's Award of Excellence, the Japan Society of Industrial Machinery Manufacturers	The Japan Society of Industrial Machinery Manufacturers	Provision of high-precision testing results from the ship design test tank in Tsu City, Mie Prefecture
Kansai Branch Chief's Award, the Japan Society of Naval Architects and Ocean Engineers	The Japan Society of Naval Architects and Ocean Engineers	

JFE Group Social and Environmental Efforts



**Yoshinao Kozuma**

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**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 CO $_2$  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 CO $_2$  emissions cuts when customers use JFE products.

The JFE Group also appears to be making progress in energy efficiency and CO $_2$  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 CO $_2$  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.



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