

Consolidated Financial Results for the 1st Half of Fiscal Year ending March 31, 2004

(Six months ended September 30, 2003)

(All financial information has been prepared in accordance with generally accepted accounting principles in Japan)

English translation from the original Japanese document

November 20, 2003

Company name : JFE Holdings, Inc.
 Stock exchange on which the stock is listed : Tokyo, Osaka, and Nagoya
 Stock Exchanges in Japan
 Code number : 5411
 Location of the head office : 1-1-2, Marunouchi, Chiyoda-ku, Tokyo
 URL : <http://www.jfe-holdings.co.jp/en>

Contact : **Shinji Okutsu, Deputy General Manager,**
Public Relations, General Administration and Legal Division
Phone: +81-3-3217-4030, Fax: 81-3-3214-6111
email: s-okutsu@jfe-holdings.co.jp

Date of the board meeting for the financial results of the six months ended Sept. 30, 2003 : November 20, 2003

1. Highlights of Consolidated Results for the Six months ended Sept. 30, 2003

(1) Statements of Income

	Net sales	(% of change from previous year)	Operating income	(% of change from previous year)	Ordinary income	(% of change from previous year)
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six months ended Sept. 30, 2003	1,120,391	(1.0)	109,983	119.9	92,786	254.0
Six months ended Sept. 30, 2002	1,132,206	-	50,021	-	26,208	-
Fiscal Year ended March 31, 2003	2,426,886		146,879		104,670	

	Net income	(% of change from previous year)	Net income per share
	(Millions of yen)	%	(yen)
Six months ended Sept. 30, 2003	45,036	155.7	78.48
Six months ended Sept. 30, 2002	17,615	-	30.68
Fiscal Year ended March 31, 2003	15,951	-	27.74

Note1: Equity in earnings of affiliates (Millions of Yen)

Six months ended Sept. 30, 2003	5,938
Six months ended Sept. 30, 2002	2,401
Fiscal Year ended March 31, 2003	5,925

Note2: Weighted average number of shares of common stock outstanding during

Six months ended Sept. 30, 2003	573,839,413
Six months ended Sept. 30, 2002	574,254,199
Fiscal Year ended March 31, 2003	574,046,315

(2) Balance Sheets

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(yen)
Six months ended Sept. 30, 2003	3,703,138	655,715	17.7	1,142.80
Six months ended Sept. 30, 2002	3,913,334	602,533	15.4	1,049.57
Fiscal Year ended March 31, 2003	3,831,643	594,563	15.5	1,035.98

Note: Number of shares of common stock outstanding as of

September 30, 2003	573,782,212
September 30, 2002	574,076,834
March 31, 2003	573,886,564

(3) Statements of Cash Flows

	Cash Flows from operating activities	Cash Flows from investing activities (outflow)	Cash Flows from financing activities (outflow)	Cash and cash equivalents (ended Sept. 30, 2003)
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Six months ended Sept. 30, 2003	105,134	(42,132)	(73,671)	74,194
Six months ended Sept. 30, 2002	126,484	(53,954)	(115,771)	117,330
Fiscal Year ended March 31, 2003	240,691	(126,871)	(183,746)	87,304

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries	209 companies
Number of unconsolidated subsidiaries accounted for by the equity method	1 company
Number of affiliates accounted for by the equity method	40 companies

2. Forecast of Consolidated Financial Results for Fiscal Year ending March 31, 2004

	Net sales	Operating income	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal Year ended March 31, 2004	2,430,000	245,000	210,000	95,000

Reference: Estimated net income per share 165.15 yen

Net income per share is estimated based on the weighted average number of shares of common stock issued on stock-for-stock exchanges with Tokyo Shearing Co., Ltd. , KAWATETSU GALVANIZING CO., LTD and JFE Koken Corporation to turn them into the Company's wholly owned subsidiaries.

Above forecast is our best estimate based upon currently available information and include uncertain factors.
Therefore, please be advised to refrain from investment decisions by depending solely on these figures.

Management Policy

1. Basic Management Policy

The JFE Group's corporate vision is to contribute to society with the world's most innovative technology. The group seeks to achieve the highest standards of global competitiveness by capitalizing on its strong customer base, advanced technology and state-of-the-art steelworks and manufacturing plants, while creating an innovative corporate culture with a challenging spirit. Specific objectives include responding to global customer needs better and faster, enhancing credibility among shareholders and capital markets worldwide, providing employees with more challenges and opportunities, and contributing to local communities and global environmental conservation.

2. Basic Guidelines on Profit Distribution

JFE Holdings considers the return of profits to shareholders to be one of its highest management priorities. It is committed to paying dividends in a manner consistent with business results and at a level that allows adequate earnings to be retained in order to strengthen the base of operations for the group as a whole.

3. Medium- and Long-term Management Strategies and Tasks

In January 2003, the JFE Group formulated its First Medium-term Business Plan that sets operational guidelines for the entire group through the fiscal year ending March 2006. Faithful implementation of this plan will provide an early resolution to the largest financial challenge facing the group, that of quickly stabilizing its profitability. It will also reinforce the group's management base by trimming assets and carefully selecting capital expenditure programs so as to maximize free cash flow and aggressively reduce outstanding debts.

The JFE Group will build a robust operational structure by strengthening the competitiveness of each of its business sectors through appropriate execution of operations in light of specific challenges and requirements of individual business areas.

Each business sector is charged with implementing the policies and programs stated below, as warranted by the nature of their individual businesses, to meet financial targets.

Consolidated Financial Targets

	Fiscal year ending March 31, 2006 (target)
Ordinary income	250 billion yen
JFE Steel	230 billion yen
JFE Engineering	16 billion yen
Return on sales (ROS)	10%
JFE Steel	11%
JFE Engineering	4%
Return on assets (ROA)	9%

Total assets	3,460 billion yen
Interest-bearing debts outstanding	1,600 billion yen
Total shareholders' equity	830 billion yen

Principal Policies and Programs for Individual Business Sectors

Steel business

The objective for the steel business is to develop stable, high-level earnings and improve its financial health. Accordingly, JFE will adopt a product-based management system; integrate and rationalize production facilities so as to create an optimized production structure; continue to carry out the “Only One” and “Number One” strategies; reduce its fixed costs; make improvements in yields and unit costs to further reduce production costs; and aggressively reorganize and integrate group companies. Overseas, JFE has already built strategic alliances in East Asia and North America. More recently, JFE Steel Corporation and Guangzhou Iron & Steel Enterprises Holdings Ltd. have signed an agreement to establish a joint venture to manufacture and sell hot-dip galvanized steel sheets for China’s growing automotive industry.

Engineering business

The engineering group seeks to maximize consolidated earnings within a worsening business environment. It will expand its share in major businesses, create “Only One” and “Number One” technologies and products for advanced, high-growth areas like the environment, new energies and nanotechnology, and develop shared strategies among group members. The engineering sector will optimize its management structure by turning JFE Koken Corporation into a wholly owned subsidiary through a stock swap and then transferring the shares in JFE Koken to JFE Engineering Corporation.

Urban development business

The JFE Group will engage in projects to develop distinctive, high-quality condominiums in the Tokyo metropolitan area and will actively promote the development of large tracts of group-owned land. This includes the Yokohama Yamanouchi Development Project, which will build a complex of housing, commercial facilities and office buildings on the idle waterfront land of the former Asano Dockyard.

LSI business

The JFE Group will concentrate on expanding sales of application-specific integrated circuits (ASICs). One main focus will be ASICs for LCD displays, an area that can expect substantial growth primarily in sales to Taiwan, the world's largest producer of LCD displays. The other main focus will be domestic digital cameras. In addition, JFE will actively approach networking companies in the United States and expand its sales channels in Europe.

In environment-related activities, JFE will proactively address global warming, resource recycling, energy utilization and other issues of global concern to help create a prosperous society in harmony with the environment. To this end, JFE will leverage its comprehensive steel and engineering technologies, looking to realize synergies wherever possible.

4. Corporate Governance Concepts and Programs

1) Concepts

By realizing management independently tailored to the nature of each business, as well as administering corporate governance and compliance by JFE Holdings, the JFE Group intends to strengthen consolidated group-wide management.

2) Status of Programs

a) Management Organization

JFE Holdings, Inc., JFE Steel Corporation, JFE Engineering Corporation and Kawasaki Microelectronics, Inc. use “corporate officer” systems that separate decision-making and execution so as to clearly delineate the board's authority and accountability while also accelerating the decision-making and execution processes.

For internal governance, JFE Holdings and operating companies have established internal auditing organizations, which provide an internal auditing mechanism for the group as a whole.

JFE Holdings is responsible for overall strategy of the group. It operates as a streamlined group head office to focus on risk management, accountability and corporate communications for all subsidiaries and affiliates.

b) Compliance Mechanism

The JFE Group considers compliance to be a primary management priority and recognizes its responsibility to adhere to all social rules and maintain high standards of corporate ethics.

In December 2002, the JFE Group Compliance Committee was formed to develop and implement concrete programs for compliance. As a result, we have established group-wide compliance mechanisms and the JFE Group Standards of Business Conduct, and are now ensuring group-wide adherence to all applicable laws, ordinances and JFE corporate ethical standards, as well as promoting compliance-oriented corporate activities.

JFE has also established compliance mechanisms for JFE Steel, JFE Engineering and other operating companies. In addition, it has established “corporate ethics hotlines” to enable employees at all levels to directly inform senior executives of important compliance-related matters, further enhancing compliance throughout the group.

Business Results and Financial Position

1. Performance in the first half of fiscal year ending March 31, 2004

The Japanese economy showed some signs of recovery during the interim period as private-sector capital investment increased, but conditions nevertheless remained severe without any fundamental change in the nation’s prolonged deflationary cycle or depressed public works.

The JFE Group responded to this business environment by faithfully implementing its First Medium-term Business Plan that guides operations from April 2003 through March 2006, seeking to increase the overall group profitability.

What follows is an outline of results for the first half, broken down by business sector.

In steel business, JFE recorded year-on-year increases in both sales and income. Consolidated net sales totaled ¥1,004.2 billion and operating income amounted to ¥114.6 billion. Steel prices improved, the sales ratio of high-value-added products rose, thanks to strong demand for steel in China’s expanding economy, and costs were further reduced due to effective integration of technology following the merger. These favorable factors offset higher raw materials costs, as well as increased depreciation charges due to changing from the straight-line to declining-balance depreciation method for machinery and equipment at the Keihin and Fukuyama facilities.

In engineering business, net sales declined year on year to ¥103.7 billion, due largely to the spin-off of the shipbuilding business in September 2002. An operating loss of

¥7.3 billion to some extent reflected the nature of the engineering business, in which sales tend to concentrate in the latter half of the year. Results were hurt by a decline in public investments and other factors that worsened the business environment, despite substantial efforts to reduce costs and improve profitability.

In urban development business, sales of condominiums were steady. The business recorded net sales of ¥9.0 billion and operating income of ¥0.5 billion, representing a year-on-year increase in earnings.

In LSI business, sales to the digital camera and LCD display markets were strong. The business recorded increases in both sales and income, posting net sales of ¥19.8 billion and operating income of ¥2.3 billion.

Overall consolidated results included net sales of ¥1,120.3 billion, a year-on-year decline. Income substantially improved from the first half of last year, with operating income reaching ¥109.9 billion and ordinary income coming to ¥92.7 billion. The JFE Group posted net income of ¥45.0 billion after factoring in extraordinary losses on the amortization of transitional obligations for employees' retirement benefits and other expenses.

In light of these results, the company will forgo payment of an interim dividend this year.

Operating activities provided cash inflow of ¥105.1 billion. Net cash used in investing activities, primarily for the acquisition of tangible fixed assets, totaled ¥42.1 billion. This resulted in ¥63.0 billion in free cash flow, defined as the sum of flows from operations and investments. Free cash flow and a portion of cash and deposits at hand were used for debt repayment, bond redemption and dividend payment. As a result, cash flow from financing activities generated expenditures of ¥73.6 billion.

Consolidated outstanding debt and bonds at the midterm end stood at ¥1,995.4 billion, with total cash and cash equivalents coming to ¥74.1 billion.

Note: Year-on-year comparisons for business segments are based on figures after the reorganization.

2. Full-year forecast

While the Japanese economy shows some signs of moving towards recovery, consumer spending remains flat, making it difficult to foresee a substantial upturn overall.

For the full-year forecast, the steel business projects substantial year-on-year gains in earnings thanks to strong demand for steel, improved steel prices (including a higher percentage of high value-added products sold) and reduced costs due to technology integration after the merger. These favorable factors will offset higher raw materials costs, as well as increased depreciation charges due to the adoption of a different depreciation method. The engineering business forecasts declines in both sales and

income because of worsening business conditions for environmental projects and other areas and the spin-off of the shipbuilding business in September 2002. Urban development business expects earnings to rise due to stronger sales of condominiums. LSI business is forecast to realize substantial earnings gains thanks to increased sales and reduced costs.

JFE's consolidated full-year forecast is net sales of ¥2,430.0 billion and a significant year-on-year gain in ordinary income to ¥210.0 billion. Net income is projected to be ¥95.0 billion after factoring in extraordinary losses on the amortization of transitional obligations for employees' retirement benefits and other expenses.

The JFE Group will attempt to maximize its free cash flow by aggressively trimming assets and making more selective investments. The group forecasts outstanding debt and bonds on a consolidated basis at the fiscal year-end to decline year on year by ¥190.0 billion to ¥1,870.0 billion.

Note: The forecasts in this document are based upon management's assumptions and beliefs in light of information available at the date of publication. Actual results may differ materially from these forecasts.

3. Cash flow indicators

	FY ended March 2000	FY ended March 2001	FY ended March 2002	FY ended March 2003	1st half of FY ending March 2004
Shareholders' equity ratio				15.5%	17.7%
Shareholders' equity ratio at market price				22.5%	37.8%
Debt redemption years				8.5 years	—
Interest coverage ratio				5.9 times	6.1 times

Notes:

- Shareholders' equity ratio = Shareholders' equity/Total assets
- Shareholders' equity ratio at market price = Market capitalization¹⁾/Total assets
- Debt redemption years = Interest-bearing debts²⁾/Operating cash flow³⁾
- Interest coverage ratio = Operating cash flow³⁾/Interest payment⁴⁾
- There are no indicators prior to the year ended March 2002, because the company was established on September 27, 2002.

¹⁾ Market capitalization is calculated as term-end market price X term-end outstanding shares.

²⁾ Interest-bearing debts include bank borrowings, bonds and commercial paper.

³⁾ Operating cash flow corresponds to cash flow from operating activities on the consolidated cash flow statement.

⁴⁾ Interest payment corresponds to interest payment on the consolidated cash flow statement.

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Consolidated Statements of Income

	(Millions of Yen)	
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002
Net sales	1,120,391	1,132,206
Cost of sales	(862,754)	(924,244)
Selling, general and administrative expenses	(147,652)	(157,940)
Operating income	109,983	50,021
Non-operating income(loss):		
Interest income and dividends received	3,491	3,379
Interest expense	(15,772)	(20,056)
Other, net	(4,917)	(7,135)
Ordinary income	92,786	26,208
Extraordinary profit:		
Profit on sales of property,plant and equipment	-	3,615
Profit on sales of shipbuilding operation	-	7,653
Total	-	11,269
Extraordinary loss:		
Loss on sales of property,plant and equipment	-	(95)
Loss on sales of investments in securities	-	(2,041)
Write-down of investments in securities	(2,549)	(2,075)
Loss on liquidation of affiliates' investments,etc	-	(963)
Amortization of transitional obligation on accrued retirement benefits	(11,333)	(11,551)
Special charge arising from employees' retirement benefits	-	(2,317)
Loss on retirement of affiliates' pension fund	(1,596)	-
Loss on disaster expenses	-	(1,562)
Total	(15,478)	(20,608)
Income before income taxes and minority interests	77,307	16,868
Income taxes:		
Current	(10,663)	(6,367)
Deferred	(20,759)	5,380
Minority interests	(847)	1,734
Net income	45,036	17,615

Consolidated Balance Sheets

	(Millions of Yen)	
(Assets)	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002
Current assets:		
Cash and deposits	74,334	117,557
Notes and accounts receivable	351,190	357,219
Inventories	528,321	568,932
Deferred tax assets	68,113	65,528
Other current assets	83,890	100,754
Allowance for doubtful accounts	(2,713)	(2,795)
Total current assets	1,103,136	1,207,198
Property, plant and equipment, net:		
Land	593,212	580,227
Buildings and structures	555,566	584,153
Machinery and equipment	852,482	928,152
Construction in progress	37,796	30,638
Total property, plant and equipment	2,039,058	2,123,172
Intangible fixed assets	56,293	57,678
Investments and other assets:		
Investments in securities	302,116	277,062
Deferred tax assets	93,276	132,878
Other assets	136,424	150,609
Allowance for doubtful accounts	(27,176)	(35,286)
Total investments and other assets	504,641	525,263
Deferred assets	8	21
Total assets	3,703,138	3,913,334
(Liabilities and shareholders' equity)		
Current liabilities:		
Notes and accounts payable	396,672	495,999
Short-term borrowings	369,541	433,936
Commercial paper	110,000	5,000
Current portion of corporate bond	60,500	182,176
Other current liabilities	311,401	330,448
Total current liabilities	1,248,115	1,447,560
Long-term liabilities:		
Notes and Bonds	441,000	401,500
Long-term borrowings	1,014,413	1,100,317
Accrued retirement benefits	125,975	114,691
Reserve for rebuilding furnaces	54,812	58,091
Other liabilities	118,555	134,425
Total long-term liabilities	1,754,757	1,809,027
Minority interests	44,549	54,213
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	581,083	581,020
Retained earnings(Deficits)	(12,154)	(43,864)
Revaluation reserve for land, net of tax	15,669	13,292
Net unrealized gains(losses) on securities	18,070	(1,234)
Translation adjustments	(45,471)	(45,775)
Treasury stock ,at cost	(1,481)	(905)
Total shareholders' equity	655,715	602,533
Total liabilities and shareholders' equity	3,703,138	3,913,334

Consolidated Statements of Cash Flows

(Millions of Yen)

Six months ended Sept. 30, 2003 Six months ended Sept. 30, 2002

Cash flows from operating activities:		
Income before income taxes and minority interests	77,307	16,868
Adjustments for:		
Depreciation and amortization	92,972	84,753
Increase(decrease) in reserves	1,114	(8,664)
Interest and dividend income	(3,491)	(3,379)
Interest expense	15,772	20,056
Profit on sales of property,plant and equipment	-	(3,615)
Profit on sales of shipbuilding operation	-	(7,653)
Loss on sales of property,plant and equipment	-	95
Loss on sales of investments in securities	-	2,041
Write-down of investment in securities	2,549	2,075
Loss on liquidation of affiliates' investments,etc	-	963
Special charge arising from employees' retirement benefits	-	2,317
Loss on retirement of affiliates' pension funds	1,596	-
Loss on disaster expenses	-	1,562
Change in operating receivables and trade liabilities	14,593	96,654
Change in inventories	(53,133)	(14,110)
Other,net	(27,415)	(11,922)
Sub total	121,864	178,044
Interest and dividend income received	4,819	4,219
Interest paid	(16,618)	(19,958)
Retirement and severance benefits paid	-	(2,540)
Loss on disaster expenses	-	(1,562)
Income taxes paid	(11,078)	(17,016)
Other,net	6,148	(14,700)
Cash flows from operating activities	105,134	126,484
Cash flows from investing activities:		
Payments for purchase of property, plant and equipmant and intangible fixed assets	(63,053)	(58,198)
Proceeds from sales of property, plant and equipmant and intangible fixed assets	7,041	4,818
Payments for purchase of investments in securities	(5,592)	(4,596)
Proceeds from sales of investments in securities	11,375	3,988
Other,net	8,096	33
Net cash used in investing activities	(42,132)	(53,954)
Cash flows from financing activities:		
Net change in short-term borrowings and commercial paper	83,803	(91,120)
Proceeds from long-term borrowings	144,812	308,829
Repayments of long-term borrowings	(219,411)	(212,754)
Issuance of corporate bond	20,000	-
Redemption of corporate bond	(90,000)	(119,136)
Payments for dividends by parent company	(8,606)	-
Other,net	(4,268)	(1,590)
Net cash used in financing activities	(73,671)	(115,771)
Effect of exchange rate change on cash and cash equivalents	(2,349)	(4,864)
Net decrease in cash and cash equivalents	(13,018)	(48,105)
Cash and cash equivalents at beginning of this period	87,304	166,133
Decrease in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	(91)	(697)
Cash and Cash equivalents at end of this period	74,194	117,330