

**Supplementary Information for Earnings Forecast**  
**for Fiscal Year ending March 31, 2006**

1. Consolidated income statements

(billions of yen) (Reference)

Items	FY ending March 2006 (Previous forecast)		FY ending March 2006 (Updated forecast)		Change		FY ended March 2005 (actual)	
	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year
	Steel Business	1,325.0	2,700.0	1,338.1	2,690.0	13.1	(10.0)	1,114.4
Engineering Business	100.0	320.0	100.7	320.0	0.7	0.0	102.4	351.5
Urban Development Business	8.0	29.0	8.0	29.0	0.0	0.0	10.2	31.5
LSI Business	20.5	45.5	20.7	46.5	0.2	1.0	18.5	36.0
Eliminations and Corporate	(3.5)	(24.5)	(14.5)	(35.5)	(11.0)	(11.0)	(8.6)	(37.2)
<b>Net Sales</b>	<b>1,450.0</b>	<b>3,070.0</b>	<b>1,453.2</b>	<b>3,050.0</b>	<b>3.2</b>	<b>(20.0)</b>	<b>1,237.0</b>	<b>2,803.6</b>
Steel Business	255.0	515.0	271.0	515.0	16.0	0.0	193.9	456.3
Engineering Business	(9.0)	(2.0)	(8.2)	(2.0)	0.8	0.0	(9.7)	5.3
Urban Development Business	0.1	2.4	0.3	2.4	0.2	0.0	0.7	2.4
LSI Business	0.4	1.7	0.7	2.0	0.3	0.3	1.5	1.9
Eliminations and Corporate	3.5	2.9	0.3	2.6	(3.2)	(0.3)	(0.4)	1.1
<b>Operating Income</b>	<b>250.0</b>	<b>520.0</b>	<b>264.2</b>	<b>520.0</b>	<b>14.2</b>	<b>0.0</b>	<b>186.1</b>	<b>467.2</b>
<b>Other Income (Expenses)</b>	<b>(10.0)</b>	<b>(20.0)</b>	<b>3.5</b>	<b>(20.0)</b>	<b>13.5</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(6.5)</b>
[Included] Interest Expenses	(8.8)	(17.0)	(8.1)	(16.0)	0.7	1.0	(11.4)	(21.7)
Steel Business	250.0	500.0	272.3	500.0	22.3	0.0	191.1	450.3
Engineering Business	(7.0)	0.0	(5.7)	0.0	1.3	0.0	(7.0)	8.7
Urban Development Business	0.0	2.3	0.3	2.3	0.3	0.0	0.6	2.2
LSI Business	0.3	1.5	0.7	2.0	0.4	0.5	1.5	1.8
Eliminations and Corporate	(3.3)	(3.8)	0.0	(4.3)	3.3	(0.5)	(0.6)	(2.4)
<b>Ordinary Income</b>	<b>240.0</b>	<b>500.0</b>	<b>267.8</b>	<b>500.0</b>	<b>27.8</b>	<b>0.0</b>	<b>185.7</b>	<b>460.6</b>
<b>Extraordinary Profit (Loss)</b>	<b>(15.0)</b>	<b>(30.0)</b>	<b>(9.6)</b>	<b>(15.0)</b>	<b>5.4</b>	<b>15.0</b>	<b>(104.0)</b>	<b>(157.0)</b>
<b>Tax Expense and Minority Interest</b>	<b>(75.0)</b>	<b>(180.0)</b>	<b>(87.9)</b>	<b>(175.0)</b>	<b>(12.9)</b>	<b>5.0</b>	<b>(47.5)</b>	<b>(143.6)</b>
<b>Net Income</b>	<b>150.0</b>	<b>290.0</b>	<b>170.2</b>	<b>310.0</b>	<b>20.2</b>	<b>20.0</b>	<b>34.1</b>	<b>160.0</b>

2. Consolidated financial indices

Financial Indices	FY ending March 2006 (Previous forecast)	FY ending March 2006 (Updated forecast)	Change	FY ended March 2005 (Actual)
	Full Year	Full Year		Full Year
Return on Sales (ROS) *1	16.3%	16.4%	0.1%	16.4%
Return on Assets (ROA) *2	14.3%	14.3%	0.0%	13.1%
Debt Outstanding	1,230.0 bil. yen	1,200.0 bil. yen	(30.0) bil. yen	1,446.7 bil. yen
Shareholders' Equity	1,230.0 bil. yen	1,250.0 bil. yen	20.0 bil. yen	968.6 bil. yen
D/E Ratio	100.0%	96.0%	(4.0%)	149.4%

\*1 ROS = Ordinary Income / Net Sales

\*2 ROA = Ordinary Income before Interest Expenses / Total Assets (average)

### 3. Crude steel production (JFE Steel)

	<i>Parent</i>	<i>Consolidated</i>
FY ended March 2005		(million tons)
1Q	6.98	7.94
1H	13.94	15.80
2H	13.71	15.48
Full year	27.65	31.28
FY ending March 2006		
1Q	6.95	7.90
1H	13.59	15.37

### 4. Export ratio on a value basis (JFE Steel on a non-consolidated basis)

FY ended March 2005	
1H	44.0%
2H	44.4%
Full year	44.2%
FY ending March 2006	
1Q	44.3%
1H	44.2%

### 5. Assumed foreign exchange rate

JFE has an approximately 1 billion USD export surplus for FY ending March 2006.  
The forecast for 2H of FY ending March 2006 is based on the assumption 105 JPY/USD.

### 6. Average selling prices (JFE Steel on a non-consolidated basis)

FY ended March 2005	(thousand yen per ton)
1H	57.7
2H	65.7
Full year	61.7
FY ending March 2006	
1Q	73.0
1H	75.6

### 7. Unrealized gain on securities, net (JFE Holdings on a consolidated basis)

As of	(billion yen)
Sept. 30, 2004	73.3
March 31, 2005	123.2
Sept. 30, 2005	158.1

### 8. Extraordinary losses (JFE Holdings on a consolidated basis)

FY ending March 2006	(billion yen)	
1H	Profit on sales of investment in securities	3.9
	Cost of treatment of PCB-containing material waste*	(10.9)
	Surcharge on violation of the Antimonopoly Act **	(2.5)
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	Total	(9.6)
2H (e)	Loss on disposal of assets, etc.	(5.4)
Full year (e)		<hr/>
		(15.0)

\* The Special Measures Law on the Promotion of Appropriate Treatment of Polychlorinated Biphenyl (PCB) Waste requires manufacturers to treat PCB waste by July 2016. JFE Holdings has decided to consign the company's PCB treatment to the recently established Japan Environmental Safety Corp. (wholly owned by the government). The company thus included all expenses for its PCB waste treatment in this interim consolidated financial period.

\*\* Estimated amount of surcharges, etc. arising from the company's violation of the anti-monopoly law regarding bidding on steel bridge superstructure projects.

9. Debt outstanding and interest expense (JFE Holdings on a consolidated basis)

<u>Debt outstanding</u>		<u>Interest expense</u>	
As of	(billion yen)	FY ended March 2005	(billion yen)
Sept. 30, 2004	1,739.7	1H	(11.4)
March 31, 2005	1,446.7	Full year	(21.7)
		FY ending March 2006	
Sept. 30, 2005	1,349.9	1H	(8.1)
March 31, 2006 (e)	1,200.0	Full year (e)	(16.0)

10. Capital investment and depreciation cost (JFE Holdings on a consolidated basis)

(billion yen)			
	FY March 05 (actual)	FY March 06 (forecast)	
Capital investment	157.2	160.0	On a construction basis
	171.9	180.0	On a payment basis
Depreciation	179.7	180.0	

11. Breakdown of a change in ordinary income (FY March 2006 (e) compared to FY March 2005)

	(billion yen)	<u>FY March 2005</u>		<u>FY March 2006 (e)</u>
Steel segment	49.7	450.3	→	500.0
Cost reduction	31.0			
Forex change	0.0			
JPY is assumed to appreciate to JPY107.3/USD from JPY107.2/USD.				
Raw material	(245.0)			
Sales volume, price, and mix	254.0			
254.0 billion yen includes the positive effect of an increase in high-end products such as "Only one" and "Number one" products.				
Other, net	9.7			

		<u>FY March 2005</u>		<u>FY March 2006 (e)</u>
Engineering segment	(8.7)	8.7	→	0.0

Projects declines in both sales and income due to the suspension from bidding and also due to declining profitability triggered by higher materials costs.

		<u>FY March 2005</u>		<u>FY March 2006 (e)</u>
Urban development segment	0.1	2.2	→	2.3

Forecasts a decline in sales because of lower condominium delivery volumes but cost reductions will enable this sector to record a slight income increase.

		<u>FY March 2005</u>		<u>FY March 2006(e)</u>
LSI segment	0.2	1.8	→	2.0

Anticipates substantial gains in sales due to strong shipping volumes to the LCD panel industry, but falling product prices for the digital camera and LCD panel markets will result in only a slight increase in income

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