

**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	1,330.0	2,730.0	1,325.0	2,700.0	(5.0)	(30.0)	1,114.4	2,421.7
Engineering Business	100.0	340.0	100.0	320.0	0.0	(20.0)	102.4	351.5
Urban Development Business	8.0	32.0	8.0	29.0	0.0	(3.0)	10.2	31.5
LSI Business	20.0	45.0	20.5	45.5	0.5	0.5	18.5	36.0
Eliminations and Corporate	(8.0)	(27.0)	(3.5)	(24.5)	4.5	2.5	(8.6)	(37.2)
<b>Net Sales</b>	<b>1,450.0</b>	<b>3,120.0</b>	<b>1,450.0</b>	<b>3,070.0</b>	<b>0.0</b>	<b>(50.0)</b>	<b>1,237.0</b>	<b>2,803.6</b>
Steel Business	245.0	505.0	255.0	515.0	10.0	10.0	193.9	456.3
Engineering Business	(7.0)	6.0	(9.0)	(2.0)	(2.0)	(8.0)	(9.7)	5.3
Urban Development Business	0.1	2.3	0.1	2.4	0.0	0.1	0.7	2.4
LSI Business	0.0	1.0	0.4	1.7	0.4	0.7	1.5	1.9
Eliminations and Corporate	1.9	5.7	3.5	2.9	1.6	(2.8)	(0.4)	1.1
<b>Operating Income</b>	<b>240.0</b>	<b>520.0</b>	<b>250.0</b>	<b>520.0</b>	<b>10.0</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>(10.0)</b>	<b>(20.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(6.5)</b>
[Included] Interest Expenses	(8.8)	(17.0)	(8.8)	(17.0)	0.0	0.0	(11.4)	(21.7)
Steel Business	235.0	490.0	250.0	500.0	15.0	10.0	191.1	450.3
Engineering Business	(6.0)	7.0	(7.0)	0.0	(1.0)	(7.0)	(7.0)	8.7
Urban Development Business	0.1	2.3	0.0	2.3	(0.1)	0.0	0.6	2.2
LSI Business	0.0	1.0	0.3	1.5	0.3	0.5	1.5	1.8
Eliminations and Corporate	0.9	(0.3)	(3.3)	(3.8)	(4.2)	(3.5)	(0.6)	(2.4)
<b>Ordinary Income</b>	<b>230.0</b>	<b>500.0</b>	<b>240.0</b>	<b>500.0</b>	<b>10.0</b>	<b>0.0</b>	<b>185.7</b>	<b>460.6</b>
<b>Extraordinary Profit (Loss)</b>	<b>(10.0)</b>	<b>(20.0)</b>	<b>(15.0)</b>	<b>(30.0)</b>	<b>(5.0)</b>	<b>(10.0)</b>	<b>(104.0)</b>	<b>(157.0)</b>
<b>Tax Expense and Minority Interest</b>	<b>(80.0)</b>	<b>(190.0)</b>	<b>(75.0)</b>	<b>(180.0)</b>	<b>5.0</b>	<b>10.0</b>	<b>(47.5)</b>	<b>(143.6)</b>
<b>Net Income</b>	<b>140.0</b>	<b>290.0</b>	<b>150.0</b>	<b>290.0</b>	<b>10.0</b>	<b>0.0</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  Full Year	FY ended March 2005 (Actual)  Full Year
	Full Year	Full Year	Full Year	Full Year		
Return on Sales (ROS) *1	16.0%	16.3%	16.3%	16.3%	0.3%	16.4%
Return on Assets (ROA) *2	14.3%	14.3%	14.3%	14.3%	0.0%	13.1%
Debt Outstanding	1,230.0 bil. yen	1,230.0 bil. yen	1,230.0 bil. yen	1,230.0 bil. yen	0.0 bil. yen	1,446.7 bil. yen
Shareholders' Equity	1,230.0 bil. yen	1,230.0 bil. yen	1,230.0 bil. yen	1,230.0 bil. yen	0.0 bil. yen	968.6 bil. yen
D/E Ratio	100.0%	100.0%	100.0%	100.0%	0.0%	149.4%

\*1 ROS = Ordinary Income / Net Sales

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

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

	<u>Parent</u>	<u>Consolidated</u>
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 (e)	13.65	15.44

### 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 (e)	43.3%

### 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 106JPY/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 (e)	75.0

### 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 (e)	140.0

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

FY ending March 2006	(billion yen)	
1H (e)	(15.0)	Loss on disposal of assets, etc.
Full year (e)	(30.0)	Loss on disposal of assets, etc.

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

Debt outstanding

As of	(billion yen)
Sept. 30, 2004	1,739.7
March 31, 2005	1,446.7
March 31, 2006 (e)	1,230.0

Interest expense

FY ended March 2005	(billion yen)
1H	(11.4)
Full year	(21.7)
FY ending March 2006 (e)	(17.0)

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
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	38.0			
Forex change	(1.0)			
JPY is assumed to appreciate to JPY106.9/USD from JPY107.2/USD.				
Raw material	(250.0)			
Sales volume, price, and mix	264.0			
264.0 billion yen includes the positive effect of an increase in high-end products such as "Only one" and "Number one" products.				
Other, net	(1.3)			

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

Ordinary income is expected to decrease from JFE Engineering being barred from bidding because of indictments and litigation related to steel bridge projects, and from a rise in input costs.

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

Sales are forecast to decline due to a decrease in number of condominium sales, but income is expected to increase thanks to cost reduction.

		<u>FY March 2005</u>		<u>FY March 2006(e)</u>
LSI segment	(0.3)	1.8	-->	1.5

Shipment of products for flat-screen televisions and LCD panels remains in good condition, but income is expected to decline despite a sales increase, due to price cuts in products for digital still cameras and LCD panels.

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