

Consolidated Financial Results for the 1st Half of Fiscal Year ending March 31, 2007

(Six months ended September 30, 2006)

(All financial information has been prepared in accordance with generally accepted accounting principles in Japan)
English translation from the original Japanese document

October 26, 2006

Company name : JFE Holdings, Inc.
 Stock exchange on which the shares are listed : Tokyo, Osaka, and Nagoya
 Stock Exchanges in Japan
 Code number : 5411
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Date of the board meeting for the financial results of the six months ended Sept. 30, 2006 : October 26, 2006

1. Highlights of Consolidated Results for the Six months ended Sept. 30, 2006

(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, 2006	1,486,642	2.3	218,085	(17.5)	223,897	(16.4)
Six months ended Sept. 30, 2005	1,453,200	17.5	264,288	42.0	267,812	44.2
Fiscal Year ended March 31, 2006	3,098,374		517,171		517,313	

	Net income	(% of change from previous year)	Net income per share	Net income per share (fully diluted)
	(Millions of yen)	%	(yen)	(yen)
Six months ended Sept. 30, 2006	134,534	(21.0)	229.79	218.50
Six months ended Sept. 30, 2005	170,271	398.5	290.64	276.44
Fiscal Year ended March 31, 2006	325,996		555.02	527.86

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

Six months ended Sept. 30, 2006	11,823
Six months ended Sept. 30, 2005	9,381
Fiscal Year ended March 31, 2006	17,302

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

Six months ended Sept. 30, 2006	585,476,969
Six months ended Sept. 30, 2005	585,839,948
Fiscal Year ended March 31, 2006	585,741,940

(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, 2006	3,685,587	1,419,309	37.5	2,358.22
Six months ended Sept. 30, 2005	3,622,662	1,134,033	31.3	1,936.07
Fiscal Year ended March 31, 2006	3,630,322	1,310,381	36.1	2,236.32

Note: Number of shares of common stock outstanding as of

September 30, 2006	585,391,999
September 30, 2005	585,740,900
March 31, 2006	585,553,110

(3) Statements of Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of this period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Six months ended Sept. 30, 2006	162,541	(133,083)	(22,057)	40,828
Six months ended Sept. 30, 2005	167,826	(65,327)	(125,163)	39,036
Fiscal Year ended March 31, 2006	401,973	(116,224)	(316,127)	32,464

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries	215 companies
Number of unconsolidated subsidiaries accounted for by the equity method	— company
Number of affiliates accounted for by the equity method	40 companies

2. Forecast of Consolidated Financial Results for Fiscal Year ending March 31, 2007

	Net sales	Operating income	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal Year ending March 31, 2007	3,240,000	495,000	490,000	290,000

Reference: Estimated net income per share 495.39 yen

Above forecast is our best estimate based upon currently available information and includes uncertain factors.

Therefore, please be advised to refrain from investment decisions by depending solely on these figures.

1. 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 spirit of challenge. Specific objectives include responding better and faster to global customer needs, enhancing credibility among shareholders and capital markets worldwide, providing employees with more challenges and opportunities, and contributing to local communities and global environmental conservation. Through these efforts the Group seeks to become an excellent and highly sustainable organization.

2. Basic Guidelines on Profit Distribution

JFE Holdings, which considers the return of profits to shareholders to be one of its top priorities, has a policy of proactively distributing dividends while also maintaining a sound and sustainable operational base for the Group as a whole. During the Second Medium-Term Business Plan (formulated March 2006; covering from April 1, 2006 through March 31, 2009) the company will study ways to increase the consolidated payout ratio to the 25% level. Internal reserves will continue to be allocated towards strategic, growth-oriented investments, research and development and also towards the improvement of the company's financial position. The company seeks to bring the debt-to-equity ratio below 50% at the earliest possible date so as to enable it to respond dynamically to large, growth-oriented investment opportunities when they arise. The company will study even more aggressive returns to shareholders when the debt-to-equity ratio is below 50%.

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

In March 2006 the JFE Group formulated its Second Medium-Term Business Plan, which will guide its operations from April 1, 2006 through March 31, 2009. This plan charts three basic goals: 1) establishing higher profit-earning structures, 2) enhancing sustainability and 3) increasing returns to shareholders. The Group continues to strive to earn the solid support and trust of customers and society on the strength of high-quality products and sophisticated services. The Group will move boldly and flexibly, choosing its timing to go on the offensive with strategic investments, while continuing to improve the financial structure in a balanced manner.

The JFE Group will make concerted efforts to build strong relationships of trust with the communities and societies it serves by rigorously enforcing compliance, proactively working on environmental issues (contributing to conservation both on the local and global level) and maintaining worker safety.

Finally, JFE Holdings will place shareholder interests foremost in group management and will establish sound and appropriate systems for corporate governance.

Below are the major numerical targets for the Second Medium-Term Business Plan.

Consolidated Financial Targets

	FY ending March 31, 2009 (target)
Ordinary income	Approx. 500 billion yen

	At the end of March 2009 (target)
Outstanding interest-bearing debt	800 billion yen
Debt-to-equity ratio	Below 50%

Cash flow utilization plan (fiscal years from April 1, 2006 through March 31, 2009)

Source		Use	
Net income	800 billion yen	Dividends	200 billion yen (Payout ratio: Approx. 25%)
		Repayment of interest-bearing debt	400 billion yen
Depreciation	580 billion yen	Investing and financing	780 billion yen

Each operating company has formulated its own management guidelines. These guidelines are based on the overall guidelines for the Group and tailored to the specific nature of the company's business activities.

Major Policies and Programs for Individual Business Sectors

Steel business

JFE Steel's first priority is to expand production and sales of high value-added products and establish stable production structures. It will do this by maintaining and improving its world-class technology development capacity, by strengthening relationships with alliance partners throughout the world and by reinforcing its domestic production base. The second priority is to maximize group-wide profits with programs to strengthen competitiveness by enhancing production bases, training employees and passing down skills of veteran workers, improving labor productivity and further reducing costs. The third is to establish systems and structures that can quickly respond to growth opportunities as the demand for high-end steel expands, particularly in East Asia.

Through implementing these policies and programs group-wide, JFE Steel seeks to become "a trusted supplier of the world's top value-added products" and to lay the groundwork for future

growth by simultaneously expanding development and sales of high value-added products and improving its financial position.

Engineering business

JFE Engineering will rigorously select business areas to focus on and lower its breakeven point by substantially reducing fixed costs. In the areas of new energy, energy conservation and recycling, it continues to expand operations in both plant engineering/construction and plant operations/maintenance with an emphasis on the private sector and overseas markets.

Urban development business

JFE Urban Development continues to concentrate on large-scale development and condominium projects. It is seeking new growth by strengthening its rental property business and by offering its real estate solutions services, such as urban redevelopment and efficient land-use, to customers outside the JFE Group.

LSI business

Kawasaki Microelectronics is enhancing the price competitiveness of its products for LCD panels and other fields and continues to develop its business in the telecoms equipment sector.

In June 2006, JFE Engineering Corp. received a cease-and-desist order from the Fair Trade Commission of Japan over alleged violations of the Anti-Monopoly Law regarding waste incineration plant construction projects. In July it filed suit with the Tokyo High Court seeking a reversal of this decision.

The JFE Group is rigorously enforcing compliance in all its operations and activities and is also increasing its efforts in environmental and safety issues so that it can emerge as one of the truly excellent companies of the 21st century.

4. Matters Related to Parent Companies etc.

The company does not have a parent company etc.

2. Business Results and Financial Position

1. Performance in the first half of fiscal year ending March 31, 2007

The JFE Group, with its corporate vision of contributing to society with the world's most innovative technology, embarked on its Second Medium-Term Business Plan, while consistently working to improve corporate value by creating new higher-value-added, higher-quality products and services.

Below is an outline of the results for the first half, broken down by business segment.

The steel business recorded higher revenues compared to the first half of the previous year, posting net sales of 1,370.9 billion yen due to solid export demand for steel products and improvements in domestic sales prices. However, a temporary decline in export sales prices and an appraisal loss on past years' raw materials resulted in a year-on-year decline in ordinary income to 222.9 billion yen.

The engineering business achieved substantial cost savings, particularly on fixed costs, and engaged in a rigorous program of selecting businesses to focus on to improve profitability. Net sales were 98.7 billion yen, roughly equal to last year's first half figures, and ordinary income 0.3 billion yen, representing a year-on-year gain.

The urban development business recorded net sales of 9.3 billion yen and ordinary income of 0.4 billion yen, both year-on-year increases. Key factors were large development projects, including the Yokohama Yamanouchi Development Project, and aggressive inroads into the condominium sector.

The LSI business achieved a year-on-year increase in net sales to 22.7 billion yen thanks to stronger sales to the telecoms equipment sector, but falling product prices for LCD panels resulted in a year-on-year decline in ordinary income to 0.4 billion yen.

Overall, consolidated results for the first half were net sales of 1,486.6 billion yen and ordinary income of 223.8 billion yen, representing an increase in revenue but a decline in income.

Factoring in the extraordinary loss from disposal of fixed assets, the company recorded interim net income before income taxes and minority interests of 218.8 billion yen and net income of 134.5 billion yen.

The company has resolved to pay an interim dividend of 50 yen per share for this fiscal year.

Turning to cash flow for the first half, net cash provided by operating activities amounted to 162.5 billion yen, with net cash used in investing activities, primarily for the acquisition of fixed assets, totaling 133.0 billion yen. Aggregate free cash provided by these activities was 29.4 billion yen. Cash flow from financing activities recorded expenditures of 22.0 billion yen, because the company used the free cash flow to mainly pay dividends.

Outstanding debt at the end of the first half came to 1,202.5 billion yen, an increase of 39.7

billion yen from the end of the previous fiscal year. Outstanding cash and cash equivalents increased by 8.4 billion yen from the previous fiscal year-end to 40.8 billion yen.

2. Outlook for the full year

The full-year forecast for the steel business projects ordinary income of 477.9 billion yen. Demand will continue to be solid and further cost savings will raise profitability. The steel sector will, however, continue to feel the impact of appraisal losses on past years' raw materials and also cost increases for zinc and other nonferrous metals. The engineering business forecasts ordinary income of 8.0 billion yen. While the business environment will continue to be challenging, reductions in fixed costs and focus on select lines of business will improve profit margins. The urban development business projects ordinary income of 3.4 billion yen thanks to sales from the Yokohama Yamanouchi condominium project. The LSI business forecasts ordinary income of 0.4 billion yen due to falling sales prices of products for LCD panels.

JFE Holdings' full-year consolidated forecast is net sales of 3,240.0 billion yen, operating income of 495.0 billion yen, ordinary income of 490.0 billion yen and net income of 290.0 billion yen.

The full-year non-consolidated forecast projects operating revenue of 108.0 billion yen, ordinary income of 100.0 billion yen and net income of 100.0 billion yen. These figures include dividends received from operating companies.

Note: These forecasts are based upon management's conclusions in light of information available at the date of publication. Actual results may differ materially from these forecasts.

3. Cash flow and other financial indicators

	FY ended March 2003	FY ended March 2004	FY ended March 2005	FY ended March 2006	First half of FY Ending March 2007
Return on sales (ROS)	4.3%	8.8%	16.4%	16.7%	15.1%
Return on assets (ROA)	3.7%	6.5%	13.1%	14.6%	12.6%
Outstanding debt	2,057.1 bil.yen	1,837.4 bil.yen	1,446.7 bil.yen	1,162.8 bil.yen	1,202.5 bil.yen
D/E ratio	346.0%	246.2%	149.4%	88.7%	87.1%
Shareholders' equity ratio	15.5%	20.0%	26.5%	36.1%	37.5%
Shareholders' equity ratio at market prices	22.5%	44.2%	47.9%	76.6%	73.5%
Debt redemption years	8.5 years	5.1 years	3.1 years	2.9 years	-
Interest coverage ratio	5.9 times	11.9 times	20.1 times	23.9 times	22.0 times

Notes:

- Return on sales (ROS) = Ordinary income/Net sales
- Return on assets (ROA) = (Ordinary income + Interest expense)/Total assets¹⁾
(ROA for the interim period is annualized.)
- Outstanding debt = Total amount of borrowings, bonds and commercial paper

- $D/E \text{ ratio} = \text{Outstanding debt} / \text{Shareholders' equity}$
- $\text{Shareholders' equity ratio} = \text{Shareholders' equity} / \text{Total assets}$
- $\text{Shareholders' equity ratio at market prices} = \text{Market capitalization}^2 / \text{Total assets}$
- $\text{Debt redemption years} = \text{Outstanding debt} / \text{Operating cash flow}^3$
(Not available for the interim period.)
- $\text{Interest coverage ratio} = \text{Operating cash flow}^3 / \text{Interest expense}^4$

¹⁾ $(\text{Total assets at beginning of term} + \text{Total assets at end of term}) / 2$

²⁾ Market capitalization is calculated as term-end market prices multiplied by term-end outstanding shares.

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

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

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Consolidated Statements of Income

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2006	(Millions of Yen) Fiscal Year ended Mar. 31, 2006
Net sales	1,453,200	1,486,642	3,098,374
Cost of sales	(1,045,489)	(1,120,482)	(2,284,855)
Selling, general and administrative expenses	(143,422)	(148,074)	(296,347)
Operating income	264,288	218,085	517,171
Non-operating income(loss):			
Interest income and dividends received	3,923	3,442	7,212
Equity in earnings of affiliates	9,381	11,823	17,302
Interest expense	(8,126)	(6,643)	(15,801)
Other, net	(1,654)	(2,810)	(8,571)
Ordinary income	267,812	223,897	517,313
Extraordinary profit:			
Profit on sales of investments in securities	3,913	0	20,726
Total	3,913	0	20,726
Extraordinary loss:			
Write-down of inventory	0	0	(9,850)
Loss on disposal of property, plant and equipment, etc.	0	(4,997)	0
Write-down of investments in securities	0	0	(1,444)
Cost of treatment of PCB waste	(10,965)	0	(12,611)
Special charge arising from employees' retirement benefits	0	0	(2,557)
Surcharge on violation of the Antimonopoly Act	(2,578)	0	(2,315)
Total	(13,543)	(4,997)	(28,779)
Income before income taxes and minority interests	258,181	218,899	509,261
Income taxes:			
Current	(79,858)	(76,314)	(179,791)
Deferred	(6,263)	(6,787)	428
Minority interests	(1,789)	(1,263)	(3,901)
Net income	170,271	134,534	325,996

Consolidated Statements of Capital Surplus and Retained Earnings

	Six months ended Sept. 30, 2005	(Millions of Yen) Fiscal Year ended Mar. 31, 2006
Capital surplus		
Capital surplus at beginning of period	610,384	610,384
Reissuance of treasury stock		
Increase in capital surplus	6	19
Capital surplus at end of period	610,391	610,403
Retained earnings		
Retained earnings at beginning of period	196,806	196,806
Net income	170,271	325,996
Transfer from land revaluation account	166	5,646
Increase due to assets revaluation of the subsidiary in Thailand	-	1,874
Increase in retained earnings	170,437	333,517
Cash dividends	(26,366)	(26,366)
Directors' and corporate auditors' bonuses	(509)	(509)
Decrease due to assets revaluation of the subsidiary in Thailand	(224)	(505)
Decrease in retained earnings	(27,099)	(27,380)
Retained earnings at end of period	340,144	502,943

Consolidated Statement of Changes in Net Assets

Six months ended Sept. 30, 2005

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	100,000	610,403	502,943	(4,260)	1,209,087
Common stock issue	5	5			10
Dividends from surplus			(58,555)		(58,555)
Directors' and corporate auditors' bonuses from appropriation			(897)		(897)
Net income			134,534		134,534
Acquisition of treasury stock				(826)	(826)
Disposal of treasury stock		25		34	59
Increase by newly consolidated or deconsolidated subsidiaries			132		132
Decrease by newly consolidated or deconsolidated subsidiaries			(17)		(17)
Transfer from land revaluation account			(11)		(11)
Decrease due to assets revaluation of the subsidiary in Thailand			(246)		(246)
Net changes of items other than shareholders' equity					
Total changes of items during the interim accounting period	5	30	74,938	(792)	74,181
Balance as of September 30, 2006	100,005	610,434	577,881	(5,053)	1,283,268

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	117,602	-	5,599	(21,907)	101,294	37,609	1,347,991
Common stock issue							10
Dividends from surplus							(58,555)
Directors' and corporate auditors' bonuses from appropriation							(897)
Net income							134,534
Acquisition of treasury stock							(826)
Disposal of treasury stock							59
Increase by newly consolidated or deconsolidated subsidiaries							132
Decrease by newly consolidated or deconsolidated subsidiaries							(17)
Transfer from land revaluation account							(11)
Decrease due to assets revaluation of the subsidiary in Thailand							(246)
Net changes of items other than shareholders' equity	(3,198)	1,686	11	(2,576)	(4,077)	1,214	(2,863)
Total changes of items during the interim accounting period	(3,198)	1,686	11	(2,576)	(4,077)	1,214	71,317
Balance as of September 30, 2006	114,403	1,686	5,611	(24,484)	97,216	38,824	1,419,309

Consolidated Balance Sheets

(Millions of Yen)

(Assets)	As of Mar. 31, 2006	As of Sept. 30, 2006	As of Sept. 30, 2005
Current assets:			
Cash and deposits	32,567	40,993	39,166
Notes and accounts receivable	477,663	420,529	412,933
Inventories	545,878	613,199	603,532
Deferred tax assets	43,630	41,847	38,724
Other current assets	66,714	68,401	68,456
Allowance for doubtful accounts	(1,607)	(1,303)	(1,232)
Total current assets	1,164,847	1,183,667	1,161,581
Property, plant and equipment, net:			
Buildings and structures	476,071	468,045	486,640
Machinery and equipment	772,566	781,615	778,110
Land	514,251	515,276	521,053
Construction in progress	64,452	55,642	53,685
Total property, plant and equipment, net	1,827,342	1,820,579	1,839,490
Intangible assets	71,318	71,090	70,154
Investments and other assets:			
Investments in securities	451,575	495,263	414,929
Deferred tax assets	32,471	28,464	53,079
Other assets	89,784	96,743	101,210
Allowance for doubtful accounts	(8,124)	(10,373)	(18,224)
Total investments and other assets	565,707	610,098	550,995
Deferred assets	1,106	151	440
Total assets	3,630,322	3,685,587	3,622,662
(Liabilities and shareholders' equity)			
Current liabilities:			
Notes and accounts payable	396,396	377,235	386,673
Short-term borrowings	226,501	97,858	366,432
Commercial paper	-	103,960	49,000
Current portion of corporate bonds	70,000	70,000	71,000
Accrued income taxes	82,465	51,615	83,103
Other current liabilities	344,615	352,847	331,984
Total current liabilities	1,119,979	1,053,517	1,288,194
Long-term liabilities:			
Corporate bonds	460,000	401,342	470,000
Long-term borrowings	406,356	529,338	393,500
Accrued retirement benefits	156,427	156,684	155,399
Reserve for rebuilding furnaces	47,117	40,700	45,765
Other liabilities	92,448	84,694	100,833
Total long-term liabilities	1,162,350	1,212,760	1,165,497
Minority interests	37,609	-	34,936
Shareholders' equity:			
Common stock	100,000	-	100,000
Capital surplus	610,403	-	610,391
Retained earnings (Deficit)	502,943	-	340,144
Revaluation reserve for land, net of tax	5,599	-	14,116
Net unrealized gains on securities	117,602	-	97,113
Translation adjustments	(21,907)	-	(24,231)
Treasury stock, at cost	(4,260)	-	(3,499)
Total shareholders' equity	1,310,381	-	1,134,033
Total liabilities and shareholders' equity	3,630,322	-	3,622,662

(Net assets)		
Owners' equity:		
Common stock	100,005	
Capital surplus	610,434	
Retained earnings (Deficit)	577,881	
Treasury stock ,at cost	(5,053)	
Total owners' equity	1,283,268	
Valuation and translation adjustments:		
Net unrealized gains on securities	114,403	
Deferred earnings on hedges	1,686	
Revaluation reserve for land, net of tax	5,611	
Translation adjustments	(24,484)	
Total valuation and translation adjustments	97,216	
Minority interests	38,824	
Total net assets	1,419,309	
Total liabilities and net assets	3,685,587	

Consolidated Statements of Cash Flows

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2006	(Millions of Yen) Fiscal Year ended Mar. 31, 2006
Cash flows from operating activities:			
Income before income taxes and minority interests	258,181	218,899	509,261
Adjustments for:			
Depreciation and amortization	85,089	84,859	175,057
Changes in reserves	6,628	(5,739)	(143)
Interest and dividend income	(3,923)	(3,442)	(7,212)
Interest expense	8,126	6,643	15,801
Profit on sales of investments in securities	(3,913)	-	(20,726)
Write-down of inventory	-	-	9,850
Loss on disposal of property, plant and equipment, etc.	-	4,997	-
Write-down of investments in securities	-	-	1,444
Cost of treatment of PCB waste	10,965	-	12,611
Special charge arising from employees' retirement benefits	-	-	2,557
Surcharge on violation of the Antimonopoly Act	2,578	-	2,315
Changes in operating receivables and trade liabilities	80,645	57,211	(5,166)
Changes in inventories	(90,721)	(67,132)	(38,568)
Other, net	(47,529)	(34,481)	(25,251)
Subtotal	306,129	261,816	631,829
Interest and dividend income received	8,134	9,447	12,027
Interest paid	(8,692)	(7,400)	(16,790)
Income taxes paid	(152,085)	(107,820)	(232,110)
Other, net	14,340	6,499	7,016
Net cash provided by operating activities	167,826	162,541	401,973
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(91,002)	(90,237)	(176,324)
Proceeds from sales of property, plant and equipment	2,103	4,736	12,724
Payments for purchase of investments in securities	(4,763)	(49,763)	(6,270)
Proceeds from sales of investments in securities	20,741	136	43,980
Other, net	7,594	2,045	9,665
Net cash used in investing activities	(65,327)	(133,083)	(116,224)
Cash flows from financing activities:			
Net change in short-term borrowings and commercial paper	52,618	106,619	4,518
Proceeds from long-term borrowings	56,396	184,612	91,580
Repayments of long-term borrowings	(166,063)	(193,264)	(329,521)
Issuance of corporate bond	29,854	-	49,758
Redemption of corporate bonds	(70,000)	(60,000)	(101,000)
Payments for dividends by parent company	(26,204)	(58,315)	(26,243)
Other, net	(1,764)	(1,709)	(5,220)
Net cash used in financing activities	(125,163)	(22,057)	(316,127)
Effect of exchange rate change on cash and cash equivalents	1,787	(114)	3,125
Net decrease in cash and cash equivalents	(20,877)	7,287	(27,253)
Cash and cash equivalents at beginning of this period	59,866	32,464	59,866
Changes in cash and cash equivalents at beginning of the period by newly consolidated or deconsolidated subsidiaries	47	1,076	(148)
Cash and Cash equivalents at end of this period	39,036	40,828	32,464

Supplementary Information for Earnings Forecast
for Fiscal Year ending March 31, 2007

1. Consolidated income statements

(billions of yen) (Reference)

Items	FY ending March 2007 (Previous forecast)		FY ending March 2007 (Updated forecast)		Change		FY ended March 2006 (actual)	
	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year
	Steel Business	1,370.0	2,800.0	1,370.9	2,890.9	0.9	90.9	1,338.1
Engineering Business	100.0	310.0	98.7	310.0	(1.3)	0.0	100.7	306.0
Urban Development Business	8.0	36.0	9.3	34.0	1.3	(2.0)	8.0	28.5
LSI Business	22.5	46.0	22.7	46.0	0.2	0.0	20.7	46.1
Eliminations and Corporate	(10.5)	(32.0)	(15.1)	(40.9)	(4.6)	(8.9)	(14.5)	(36.3)
Net Sales	1,490.0	3,160.0	1,486.6	3,240.0	(3.4)	80.0	1,453.2	3,098.3
Steel Business	205.0	465.0	220.3	490.3	15.3	25.3	271.0	513.7
Engineering Business	(5.0)	2.0	(3.5)	3.0	1.5	1.0	(8.2)	(3.3)
Urban Development Business	0.1	3.6	0.4	3.6	0.3	0.0	0.3	2.9
LSI Business	0.0	0.0	0.5	0.5	0.5	0.5	0.7	2.1
Eliminations and Corporate	(0.1)	4.4	0.2	(2.4)	0.3	(6.8)	0.3	1.6
Operating Income	200.0	475.0	218.0	495.0	18.0	20.0	264.2	517.1
Other Income (Expenses)	0.0	(5.0)	5.8	(5.0)	5.8	0.0	3.5	0.1
Steel Business	200.0	455.0	222.9	477.9	22.9	22.9	272.3	510.7
Engineering Business	(2.0)	7.0	0.3	8.0	2.3	1.0	(5.7)	0.9
Urban Development Business	0.0	3.4	0.4	3.4	0.4	0.0	0.3	2.8
LSI Business	0.0	0.0	0.4	0.4	0.4	0.4	0.7	2.0
Eliminations and Corporate	2.0	4.6	(0.2)	0.3	(2.2)	(4.3)	0.0	0.8
Ordinary Income	200.0	470.0	223.8	490.0	23.8	20.0	267.8	517.3
Extraordinary Profit (Loss)	(5.0)	(10.0)	(4.9)	(10.0)	0.1	0.0	(9.6)	(8.0)
Tax Expense and Minority Interest	(75.0)	(180.0)	(84.3)	(190.0)	(9.3)	(10.0)	(87.9)	(183.2)
Net Income	120.0	280.0	134.5	290.0	14.5	10.0	170.2	325.9

2. Consolidated financial indices

Financial Indices	FY ending March 2007 (Previous forecast)		FY ending March 2007 (Updated forecast)		Change	FY ended March 2006 (Actual)
	Full Year		Full Year			
	Return on Sales (ROS) *1	14.9%	15.1%	15.1%	0.2%	16.7%
Return on Assets (ROA) *2	13.2%	13.7%	13.7%	0.5%	14.6%	
Debt Outstanding	1,090.0 bil. yen	1,090.0 bil. yen	1,090.0 bil. yen	0.0 bil. yen	1,162.8 bil. yen	
Shareholders' Equity	1,490.0 bil. yen	1,500.0 bil. yen	1,500.0 bil. yen	10.0 bil. yen	1,310.3 bil. yen	
D/E Ratio	73.2%	72.7%	72.7%	(0.5%)	88.7%	

*1 ROS = Ordinary Income / Net Sales

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

3. Crude Steel Production (JFE Steel) (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2006	Parent	6.95	6.64	13.59	6.34	6.79	13.13	26.72
	Consolidated	7.90	7.47	15.37	7.15	7.63	14.78	30.15
FY ending March 2007	Parent	6.92	7.26	14.18				
	Consolidated	7.88	8.19	16.07				

4. Shipment (JFE Steel on a non-consolidated basis) (million tons)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2006	6.27	6.14	12.41	5.76	6.40	12.16	24.57
FY ending March 2007	6.08	6.65	12.73				

5. Export Ratio on a Value Basis (JFE Steel on a non-consolidated basis) (%)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2006	44.3	44.0	44.2	40.5	42.4	41.5	42.8
FY ending March 2007	42.1	45.2	43.8				

6. Foreign Exchange Rate (Yen/US dollar)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2006	107.3	111.5	109.4	116.2	117.4	116.8	112.9
FY ending March 2007	114.7	115.8	115.3				

JFE has an approximately 1.0 billion USD export surplus for FY ending March 2007.

7. Average Selling Prices (JFE Steel on a non-consolidated basis) (thousand yen/ton)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2006	73.0	78.2	75.6	79.4	77.0	78.1	76.9
FY ending March 2007	73.5	75.7	74.6				

8. Engineering business orders

	(billion yen)
1H of FY ending March 2007	132.6
Backlog as of Sept. 30, 2006	349.0
(including inter-segment transactions)	

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

As of	(billion yen)
Sept. 30, 2005	158.1
March 31, 2006	190.9
Sept. 30, 2006	185.7

10. Breakdown of Extraordinary Profit and Losses (JFE Holdings on a consolidated basis)
(billion yen)

	FY ending March 2007	
	1H	Full year(e)
Loss on disposal of assets, etc.	(4.9)	(10.0)

11. 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 2006	(billion yen)
Sept. 30, 2005	1,349.9	1H	(8.1)
March 31, 2006	1,162.8	Full year	(15.8)
		FY ending March 2007	
Sept. 30, 2006	1,202.5	1H	(6.6)
March 31, 2007 (e)	1,090	Full year(e)	(14)

12. Capital investment and depreciation cost (JFE Holdings on a consolidated basis)
(billion yen)

	FY March 06 (actual)	FY March 07 (forecast)
Capital investment	178.3	250
Depreciation	175.0	180

13. Breakdown of a change in ordinary income (FY March 2007 (e) compared to FY March 2006)

(billion yen)		<u>FY March 2006</u>	⇒	<u>FY March 2007 (e)</u>
Steel segment	(32.8)	510.7		477.9
Cost reduction	27.0			
Forex change	0.0			
Raw material	(69.0)			
Sales volume, mix, and price	40.0			
Other, net	(30.8)			

Engineering segment	7.1	<u>FY March 2006</u> 0.9	⇒	<u>FY March 2007 (e)</u> 8.0
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Reductions in fixed costs and an improvement in profitability by a rigorous program of selection and concentration will enable this sector to record a year-on-year profit increase.

Urban development segment	0.6	<u>FY March 2006</u> 2.8	⇒	<u>FY March 2007 (e)</u> 3.4
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Forecasts higher sales and profits thanks to the sales from the Yokohama Yamanouchi development project.

LSI segment	(1.6)	<u>FY March 2006</u> 2.0	⇒	<u>FY March 2007 (e)</u> 0.4
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Forecasts a decline in income due to falling prices of LCD panel products and worsening of product mix, while sales will be the same level as the previous year.

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