

# Financial Results through Third Quarter of Fiscal Year ending March 31, 2008

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

February 4, 2008

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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## 1. Highlights of Consolidated Results through Third Quarter of Fiscal Year ending March 31, 2008

### (1) Statements of Income

	Net sales	(% of change from same previous period)	Operating income	(% of change from same previous period)	Ordinary income	(% of change from same previous period)
Through third quarter of fiscal year ending March 31, 2008	(Millions of yen) 2,527,191	% 10.8	(Millions of yen) 378,792	% 9.7	(Millions of yen) 387,745	% 9.4
Through third quarter of fiscal year ended March 31, 2007	2,280,816	5.4	345,143	(7.6)	354,430	(6.4)
Reference: Fiscal year ended March 31, 2007	3,260,447	-	503,938	-	513,520	-

	Net income	(% of change from same previous period)	Net income per share	Net income per share (fully diluted)
Through third quarter of fiscal year ending March 31, 2008	(Millions of yen) 233,667	% 11.7	(yen) 400.74	(yen) 398.58
Through third quarter of fiscal year ended March 31, 2007	209,117	(17.1)	358.28	340.64
Reference: Fiscal year ended March 31, 2007	299,683	-	513.58	492.27

### (2) Balance Sheets

	Total assets	Net assets	Equity capital ratio	Net assets per share
Through third quarter of fiscal year ending March 31, 2008	(Millions of yen) 4,081,695	(Millions of yen) 1,566,613	% 37.5	(yen) 2,653.78
Through third quarter of fiscal year ended March 31, 2007	-	-	-	-
Reference: Fiscal year ended March 31, 2007	3,872,142	1,539,621	38.8	2,548.09

Note: No quarterly balance sheet for FY ended March 31, 2007 is provided because the company began disclosing quarterly information from this fiscal year.

## 2. Dividend

	Dividend per share		
		Interim	Year-end
Fiscal Year ended March 31, 2007	(yen) 120.00	(yen) 50.00	(yen) 70.00
Fiscal Year ending March 31, 2008		60.00	
Fiscal Year ending March 31, 2008(e)	120.00		60.00

## 3. Forecast of Consolidated Financial Results for Fiscal Year ending March 31, 2008

	Net sales	(% of change from previous year)	Operating income	(% of change from previous year)	Ordinary income	(% of change from previous year)
Fiscal Year ending March 31, 2008	(Millions of yen) 3,510,000	% 7.7	(Millions of yen) 510,000	% 1.2	(Millions of yen) 500,000	% (2.6)

	Net income	(% of change from previous year)	Net income per share
Fiscal Year ending March 31, 2008	(Millions of yen) 260,000	% (13.2)	(yen) 447.11

#### **4. Other information**

1. Significant change in subsidiaries during the first three quarters (change in designated subsidiaries resulting in adjustment to the scope of consolidation): None
2. Adoption of simplified accounting method: Yes
3. Differences between the accounting methods used in the first three quarters and the most recent consolidated fiscal year: Yes

(Note) See Paragraph 4 (“Other information”) under “Qualitative Information, Financial Statements etc.” on page 4.

#### **Explanation of appropriate use of results forecasts, other matters of note**

1. The results forecasts published on October 25, 2007 have been revised in this document.
2. These forecasts are based on information available as at the date of publication for this document and certain assumptions regarding factors for uncertainty that would influence future results as at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For a description of the revision of the results forecasts referred to in Paragraph 1, see Paragraph 3 (“Qualitative information on consolidated results forecast”) under “Qualitative Information, Financial Statements etc.” on page 3.

## **Qualitative Information, Financial Statements etc.**

### **1. Qualitative information on consolidated business results**

The steel business experienced higher depreciation charges as a result of amendments to depreciation rules and was also faced with higher prices for metal materials and freight, but cost reduction efforts combined with higher sales prices and increased sales volumes thanks to booming demand for high-end steel yielded net sales of 2,322.4 billion yen and ordinary income of 391.2 billion yen, both of which represent gains compared to the corresponding period of the previous fiscal year (April 1, 2006 to December 31, 2006).

In the engineering business, sales expanded primarily as the result of private sector demand, resulting in net sales of 184.1 billion yen, an increase relative to the same period of the previous year. However, soaring prices for materials/equipment and construction cost resulted in an ordinary loss of 6.6 billion yen.

The urban development business experienced a decline in condominium deliveries, but sales of high-profit properties enabled net sales to reach 11.7 billion yen and ordinary income to reach 0.3 billion yen, both representing gains compared to the same previous period.

The LSI business enjoyed strong sales to the LCD panel market, recording net sales of 35.6 billion yen and ordinary income of 2.3 billion yen, both up relative to the same previous period.

Overall, consolidated results through the third quarter (April 1, 2007 to December 31, 2007) showed gains in terms of both sales and profit, with net sales of 2,527.1 billion yen, operating income of 378.7 billion yen, ordinary income of 387.7 billion yen and net income of 233.6 billion yen.

### **2. Qualitative information on consolidated financial status**

At the end of December 2007, consolidated total assets reached 4,081.6 billion yen, an increase of 209.5 billion yen compared to the end of March 2007. Net assets totaled 1,566.6 billion yen and the ratio of shareholders' equity fell by 1.3 percentage point to 37.5%. Outstanding debt amounted to 1,404.3 billion yen, an increase of 223.8 billion yen relative to the level at the end of March 2007.

### **3. Qualitative information on consolidated results forecast**

The consolidated full-year forecast for the steel business anticipates ordinary income of 500 billion yen, roughly on par with the previous fiscal year. Despite higher depreciation charges, rising prices for raw materials and significant strengthening of the yen since the beginning of this year, the steel sector has expanded production of high-end products to meet booming demand and prices have continued to improve. This has combined with ongoing cost-cutting efforts and generally solid performance among group companies to sustain ordinary income. For the engineering business, in addition to soaring construction costs, some projects under the new private-sector business activity have incurred additional costs. The appreciation of the yen has also resulted in deterioration of investment profit/loss on equity method, leading to an anticipated ordinary loss of 4.0 billion yen. The urban development business anticipates ordinary income of 2.0 billion yen due to continuing declines in condominium delivery volumes resulting from deterioration in the sales environment. The LSI business forecasts ordinary income of 0.9 billion yen due to declining sales of products to the telecommunications sector and the impact of foreign exchange rates. As a result, the overall

full-year forecast is for net sales of 3,510 billion yen, operating income of 510 billion yen and ordinary income of 500 billion yen, all below the previous forecast (announced October 25, 2007).

In addition, JFE Environmental Solutions Corp., a subsidiary of JFE Engineering Corp., forecasts a future loss during the life of long-term contracts for the operation and maintenance of several facilities. JFE Holdings will therefore allocate reserves ahead of schedule this fiscal year for the entire amount, with the aim of further strengthening the company's financial position and assuring transparency for possible future risk.

Factoring in an extraordinary loss of approximately 50 billion yen due mainly to the above, the company forecasts full-year net income of 260 billion yen.

With respect to dividends, the company has already paid an interim dividend and will propose to the General Meeting of Shareholders the payment of 120 yen per share in annual dividends (for a year-end dividend of 60 yen per share).

#### **4. Other information**

1. Significant change in subsidiaries during the first three quarters (change in designated subsidiaries resulting in adjustment to the scope of consolidation): None
2. Adoption of simplified accounting method:  
A simplified accounting method has been adopted in part for calculating depreciation charges, taxes and other items.
3. Differences between the accounting methods used in the first three quarters and the most recent consolidated fiscal year:  
In accordance with amendments to the Corporate Tax Law, from the first quarter of the fiscal year ending March 31, 2008, the company has changed its depreciation method for tangible fixed assets acquired on or after April 1, 2007 to the method stipulated in the amended Corporate Tax Law. As a result, depreciation charges for the first three quarters increased by 2,654 million yen, resulting in a decline of 2,521 million yen for operating income and declines of 2,532 million yen for both ordinary income and quarterly net income before income taxes and minority interests.

(Additional information)

In accordance with amendments to the Corporate Tax Law, tangible fixed assets acquired on or prior to March 31, 2007 will, beginning with this reporting year, be depreciated using the pre-amendment depreciation method until such time as they reach 5% of their acquisition price, and then beginning with the next consolidated accounting term will be subject to straight-line depreciation over a period of 5 years for the difference between 5% of the acquisition price and the final memorandum price. As a result, depreciation charges for the first three quarters increased by 25,171 million yen, resulting in a decline of 24,066 million yen for operating income and declines of 24,206 million yen for both ordinary income and quarterly net income before income taxes and minority interests.

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## Consolidated Statements of Income

	Through Third Quarter Fiscal Year ending Mar. 31, 2008	(Millions of yen) (Reference) Fiscal Year ended Mar. 31, 2007
Net sales	2,527,191	3,260,447
Cost of sales	1,921,433	2,449,824
Selling, general and administrative expenses	(226,966)	(306,685)
Operating income	378,792	503,938
Non-operating income(loss):		
Interest income and dividends received	8,335	8,432
Equity in earnings of affiliates	22,458	26,563
Interest expense	(13,328)	(15,398)
Other, net	(8,511)	(10,015)
Ordinary income	387,745	513,520
Extraordinary profit:		
Profit on sales of property, plant and equipment, etc.	1,847	-
Profit on sales of investments in securities	-	5,981
Total	1,847	5,981
Extraordinary loss:		
Loss on disposal of property, plant and equipment, etc.	-	(4,997)
Write-down of investments in securities	-	(1,158)
Provision of allowance for bad debts	-	(1,223)
Provision for allowance for losses from lawsuits	(1,466)	-
Special charge arising from employees' retirement benefits	-	(1,112)
Surcharge on violation of the Antimonopoly Act	-	(1,333)
Cost of voluntary dismantlement of snow melting equipment	-	(1,036)
Total	(1,466)	(10,861)
Income before income taxes and minority interests	388,126	508,640
Income taxes:		
Current	(125,707)	(191,293)
Deferred	(26,295)	(15,537)
Minority interests	(2,455)	(2,127)
Net income	233,667	299,683

## Consolidated Balance Sheets

	As of December 31, 2007	(Millions of yen) As of Mar. 31, 2007
(Assets)		
Current assets:		
Cash and deposits	53,181	45,170
Notes and accounts receivable	549,967	530,164
Inventories	746,893	582,015
Deferred tax assets	30,070	44,907
Other current assets	88,410	65,769
Allowance for doubtful accounts	(1,301)	(1,108)
Total current assets	1,467,222	1,266,919
Property, plant and equipment, net:		
Buildings and structures	449,677	464,983
Machinery and equipment	763,411	796,813
Land	508,580	508,868
Construction in progress	57,849	45,848
Total property, plant and equipment, net	1,779,519	1,816,514
Intangible assets	67,057	69,437
Investments and other assets:		
Investments in securities	655,180	618,307
Deferred tax assets	13,433	12,763
Other assets	109,442	98,972
Allowance for doubtful accounts	(10,258)	(10,874)
Total investments and other assets	767,798	719,169
Deferred assets	97	100
Total assets	4,081,695	3,872,142
(Liabilities and shareholders' equity)		
Current liabilities:		
Notes and accounts payable	438,156	435,220
Short-term borrowings	366,235	188,081
Commercial paper	249,840	62,937
Current portion of corporate bonds	110,000	130,000
Income tax payable	37,917	74,917
Other current liabilities	375,576	352,617
Total current liabilities	1,577,726	1,243,774
Long-term liabilities:		
Corporate bonds	228,091	247,612
Long-term borrowings	450,135	551,902
Deferred tax liability	11,073	10,968
Deferred tax liabilities on revaluation reserve	14,434	14,492
Accrued retirement benefits	148,675	152,303
Reserve for rebuilding furnaces	41,924	40,954
Other liabilities	43,020	70,511
Total long-term liabilities	937,356	1,088,746
(Net assets)		
Owners' equity:		
Common stock	147,143	142,334
Capital surplus	657,652	652,820
Retained earnings (Deficit)	870,952	713,381
Treasury stock, at cost	(249,713)	(127,372)
Total owners' equity	1,426,033	1,381,164
Valuation and translation adjustments:		
Net unrealized gains on securities	115,280	132,985
Deferred earnings on hedges	839	920
Revaluation reserve for land, net of tax	5,658	5,713
Translation adjustments	(18,543)	(19,689)
Total valuation and translation adjustments	103,235	119,929
Minority interests	37,343	38,527
Total net assets	1,566,613	1,539,621
Total liabilities and net assets	4,081,695	3,872,142

**Supplementary Information for Earnings Forecast**  
**for Fiscal Year ending March 31, 2008**

1. Consolidated income statements

Items	FY ending	FY ending	Change	(Reference)
	March 2008 (Previous forecast)	March 2008 (Updated forecast)		FY ended March 2007 (actual)
Steel Business	3,190.0	3,170.0	(20.0)	2,925.1
Engineering Business	310.0	310.0	0.0	292.1
Urban Development Business	30.0	27.0	(3.0)	34.3
LSI Business	45.0	43.0	(2.0)	44.3
Eliminations and Corporate	(35.0)	(40.0)	(5.0)	(35.4)
<b>Net Sales</b>	<b>3,540.0</b>	<b>3,510.0</b>	<b>(30.0)</b>	<b>3,260.4</b>
Steel Business	535.0	515.0	(20.0)	499.9
Engineering Business	(6.0)	(11.0)	(5.0)	(1.9)
Urban Development Business	2.6	2.3	(0.3)	3.9
LSI Business	1.5	1.4	(0.1)	0.8
Eliminations and Corporate	6.9	2.3	(4.6)	1.2
<b>Operating Income</b>	<b>540.0</b>	<b>510.0</b>	<b>(30.0)</b>	<b>503.9</b>
<b>Other Income (Expenses)</b>	<b>0.0</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>9.5</b>
Steel Business	530.0	500.0	(30.0)	503.9
Engineering Business	3.0	(4.0)	(7.0)	5.8
Urban Development Business	2.2	2.0	(0.2)	3.6
LSI Business	1.2	0.9	(0.3)	0.5
Eliminations and Corporate	3.6	1.1	(2.5)	(0.4)
<b>Ordinary Income</b>	<b>540.0</b>	<b>500.0</b>	<b>(40.0)</b>	<b>513.5</b>
<b>Extraordinary Profit (Loss)</b>	<b>0.0</b>	<b>(50.0)</b>	<b>(50.0)</b>	<b>(4.8)</b>
<b>Tax Expense and Minority Interest</b>	<b>(220.0)</b>	<b>(190.0)</b>	<b>30.0</b>	<b>(208.9)</b>
<b>Net Income</b>	<b>320.0</b>	<b>260.0</b>	<b>(60.0)</b>	<b>299.6</b>

2. Consolidated financial indices

Financial Indices	FY ending	FY ending	Change	FY ended
	March 2008 (Previous forecast)	March 2008 (Updated forecast)		March 2007 (Actual)
Return on Sales (ROS) *1	15.3%	14.2%	(1.1%)	15.8%
Return on Assets (ROA) *2	14.2%	13.3%	(0.9%)	14.1%
Debt Outstanding	1,200 bil. yen	1,260 bil. yen	60 bil. yen	1,180.5 bil. yen
Shareholders' Equity	1,650 bil. yen	1,530 bil. yen	(120) bil. yen	1,501.0 bil. yen
D/E Ratio	72.7%	82.4%	9.7%	78.6%

\*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 2007	Parent	6.92	7.26	14.18	7.36	7.50	14.86	29.04
	Consolidated	7.88	8.19	16.07	8.34	8.42	16.76	32.83
FY ending March 2008	Parent	7.38	7.66	15.04	7.72	7.54(e)	15.26(e)	30.30(e)
	Consolidated	8.37	8.53	16.90	8.67	8.43(e)	17.10(e)	34.00(e)

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

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2007	6.08	6.65	12.73	6.68	7.02	13.70	26.43
FY ending March 2008	6.61	7.01	13.62	6.87	7.11(e)	13.98(e)	27.60(e)

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 2007	42.1	45.2	43.8	43.5	45.0	44.3	44.0
FY ending March 2008	44.7	45.7	45.2	42.0	44(e)	43(e)	44(e)

6. Foreign Exchange Rate (Yen/US dollar) (JPY/USD)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2007	114.7	115.8	115.3	117.4	119.8	118.5	116.9
FY ending March 2008	119.8	119.4	119.6	113.5	108(e)	111(e)	115(e)

JFE has an approximately 0.8 billion USD export surplus for FY ending March 2008.

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 2007	73.5	75.7	74.6	76.8	77.6	77.2	76.0
FY ending March 2008	78.8	80.6	79.7	79.1	79(e)	79(e)	79(e)

8. Engineering business orders

Approximately 310 billion yen (estimated) for the FY ending March 2008, up 12.7% from the previous year (including inter-segment transactions).

9. Breakdown of Extraordinary Profit and Losses (JFE Holdings on a consolidated basis)

	(billion yen)
	FY ending March 2008
Profit on disposal of assets	1.4
Provision for allowance for losses from lawsuits	(1.4)
Provision for allowance for losses on specific business	(50.0)
Total	(50.0)

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

<u>Debt outstanding</u>		<u>Interest expense</u>	
As of	(billion yen)		(billion yen)
March 31, 2007	1,180.5	FY ended March 2007	(15.1)
March 31, 2008 (e)	1,260	FY ending March 2008(e)	(20)

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

	FY March 07 (actual)	FY March 08 (forecast)
Capital investment	193.5	210
Depreciation	176.7	220

12. Breakdown of a change in ordinary income (FY March 2008 (e) compared to FY March 2007)

(billion yen)		<u>FY March 2007</u>	⇒	<u>FY March 2008 (e)</u>
Steel segment	(3.9)	503.9		500.0
Cost reduction	23.0			
Forex change	(17.0)			
Raw material	(90.0)			
Sales volume, mix, and price	124.0			
Changes in depreciation rules	(33.0)			
Other, net	(10.9)			

Engineering segment	(9.8)	<u>FY March 2007</u> 5.8	⇒	<u>FY March 2008 (e)</u> (4.0)
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Sales expanded mainly as the result of private-sector demand, but in addition to soaring prices for materials/equipment and construction cost, some projects under the new private-sector business activity incurred additional costs, resulting in an ordinary loss.

Urban development segment	(1.6)	3.6	⇒	2.0
LSI segment	0.4	0.5	⇒	0.9

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The 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.