

Consolidated Financial Results for the First Half of Fiscal Year ending March 31, 2009

(Six months ended September 30, 2008)

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

October 24, 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
URL : <http://www.jfe-holdings.co.jp/en/index.html>
Contact : Masayuki Hirose, Manager, Public Relations Sec.
General Administration Dept.
Phone: +81-3-3217-4030, Fax: +81-3-3214-6111

1. Highlights of Consolidated Results for the First Half of Fiscal Year ending March 31, 2009

(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)
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
1st half of FY ending March 31, 2009	2,103,162	-	237,623	-	258,618	-
1st half of FY ended March 31, 2008	1,669,381	12.3	253,896	16.4	260,809	16.5

	Net income	(% of change from same previous period)	Net income per share	Net income per share (fully diluted)
	(Millions of yen)	%	(yen)	(yen)
1st half of FY ending March 31, 2009	153,080	-	275.47	260.80
1st half of FY ended March 31, 2008	160,814	19.5	274.43	272.78

(2) Balance Sheets

	Total assets	Net assets	Equity capital ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(yen)
1st half of FY ending March 31, 2009	4,455,840	1,505,651	32.8	2,645.79
FY ended March 31, 2008	4,170,080	1,541,680	35.9	2,619.11

Note: Shareholders' equity
(Millions of yen)

1st half of FY ending March 31, 2009	1,460,612
Fiscal Year ended March 31, 2008	1,496,513

2. Dividends

	Dividends per share		
		2nd Quarter	Year-end
	(yen)	(yen)	(yen)
Fiscal Year ended March 31, 2008	120.00	60.00	60.00
Fiscal Year ending March 31, 2009	Undecided	60.00	Undecided

3. Forecasts of Consolidated Financial Results for Fiscal Year ending March 31, 2009

	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)	%
Fiscal Year ending March 31, 2009	4,410,000	24.6	490,000	(4.0)	500,000	(0.6)

	Net income	(% of change from previous year)	Net income per share
	(Millions of yen)	%	(yen)
Fiscal Year ending March 31, 2009	280,000	6.9	505.40

These forecasts are based on information available on the date of publication of this document as well as rational assumptions that we have made regarding certain factors. Actual results may vary significantly from these forecasts due to a wide range of circumstances. For a description of the results forecasts, see Paragraph 3 ("Qualitative information on consolidated results forecast") under "Qualitative Information, Financial Statement, etc." on page 3.

Qualitative Information, Financial Statement, etc.

1. Qualitative information on consolidated business results

Following is an outline of consolidated business results for the six month period from April 1, 2008 to September 30, 2008 (hereinafter “first half”), broken down according to business segment:

The steel business achieved an increase in net sales over the first half of the previous year to reach 1,893.9 billion yen, primarily due to rising sales prices and expanding sales of value-added products. Ordinary income increased relative to the same period of the previous year to reach 268.3 billion yen, as efforts to further reduce operating costs helped offset a sharp rise in raw materials prices.

The engineering business achieved an increase in net sales, rising to 125.5 billion yen, while cost cutting and other efforts to ensure profitability resulted in growth in ordinary income to 500 million yen.

The shipbuilding business reported net sales of 97.9 billion yen on continued strong construction volume, but reported an ordinary loss of 7.1 billion yen owing to soaring materials/equipment costs centered on steel products.

The urban development business posted net sales of 5.8 billion yen and an ordinary loss of 2.8 billion yen, both down from the first half of the previous year as a result of a deteriorating condominium market and lower condominium delivery volumes.

The LSI business recorded net sales of 18.5 billion yen and ordinary income of 100 million yen, both down from the year-earlier period as the result of lower sales to LCD panel makers.

Overall, consolidated results for the first half showed an increase for sales but a decrease for profit, with net sales of 2,103.1 billion yen, operating income of 237.6 billion yen, ordinary income of 258.6 billion yen and net interim income of 153.0 billion yen.

2. Qualitative information on consolidated financial status

At the end of the first half, the company’s total assets increased by 285.8 billion yen from the end of March 2008 to reach 4,455.8 billion yen. Net assets came to 1,505.6 billion yen, and the shareholders’ equity ratio decreased 3.1 percentage points to 32.8%. Outstanding debt came to

1,564.3 billion yen, an increase of 282.4 billion yen compared to end-March 2008.

3. Qualitative information on consolidated results forecast

The full-year results forecasts for each business segment are as follows:

In the face of the unprecedented increase in prices for main raw materials, the steel business has been striving to enhance profits by reinforcing efforts to reduce costs and pushing ahead with sales price revisions while seeking the understanding of customers. Although demand for some products appears to be weakening, the business will continue to adjust production to ensure output matches demand, as it has done in the past. As a result of these efforts, the company expects to report ordinary income of 520 billion yen.

The engineering business faces continued difficult business conditions, but it expects ongoing efforts to improve earnings to result in ordinary income of 5 billion yen.

The shipbuilding business expects prices of steel products and other materials/equipment to remain at a high level. While efforts to reduce costs through productivity improvements will continue, high input prices coupled with the amortization of goodwill are expected to result in an ordinary loss of 12 billion yen.

The urban development business expects to report an ordinary loss of 2 billion yen on lower condominium delivery volumes and revisions to sales prices.

The LSI business expects a decline in sales of products for LCD panel and communications applications to result in an ordinary loss of 3 billion yen.

As a result, JFE Holdings' full-year consolidated forecast is for net sales of 4,410 billion yen, operating income of 490 billion yen, ordinary income of 500 billion yen, and net income of 280 billion yen, all of which exceed previous forecasts.

4. Other information

(1) Significant change in subsidiaries during the first half (change in designated subsidiaries resulting in adjustment to the scope of consolidation): None

(2) Application of simplified accounting method and special accounting method in the preparation

of quarterly consolidated financial statements

For the current fiscal year, we have applied simplified accounting methods such as proportionally calculating depreciation over time for assets using the fixed-rate declining balance method of depreciation. Furthermore, we are using some calculation assumptions from the previous fiscal year to calculate tax expense.

(3) Changes in the principles, procedures and presentation method for accounting treatment in the preparation of quarterly consolidated financial statements

① Application of accounting standards in quarterly financial statements

We are applying “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12) and “Guidelines for Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standard Application Guidelines No. 14) for the current fiscal year. In addition, we are preparing the quarterly consolidated financial statements in accordance with “Quarterly Consolidated Financial Statement Rules.”

② Changes in valuation standards and valuation methods for important assets

Inventory

Previously, we valued ordinary inventory that was principally held for sale in the balance sheet using the cost accounting method at the acquisition price, but as of the first quarter of the current consolidated accounting period, we are calculating this value using the cost accounting method by reducing the book value based on declining profitability in accordance with application of “Accounting Standards for Inventory Valuation” (Corporate Accounting Standards No. 9, July 5, 2006).

Accordingly, operating income, ordinary income and quarterly net income before income taxes and minority interests for the first half of the consolidated accounting period decreased respectively by 4,291 million yen.

③ Application of accounting standards for lease transactions

We began to apply “Accounting Standards for Lease Transactions” (Corporate Accounting Standards No. 13 (June 17, 1993 (First Division of Business Accounting Council), revised March 30, 2007) and “Application Guidelines for Lease Transaction Accounting Standards” (Application Guidelines for Corporate Accounting Standards No. 16 (January 18, 1994 (The Japanese Institute of Certified Public Accountants, Accounting System Committee), revised March 30, 2007)) from the first quarter of the consolidated financial period, changing from an accounting treatment based

on the lease transaction method to accounting treatment based on ordinary sales transactions for Ownership Non-transfer Finance Leases. Additionally, depreciation of assets for Ownership Non-transfer Finance Leases uses the straight line method for the duration of the lease period with a remaining balance of zero (in the event the remaining balance is guaranteed in the Lease Agreement, the guaranteed balance shall apply).

The impact of these changes to operating income, ordinary income and quarterly net income before income taxes and minority interests for the first half of the consolidated accounting period was insignificant.

(Additional information)

Change in the lifetime of tangible fixed assets

Based on revisions to legal useful lives in the corporate tax law, we changed part of the useful lives for machinery and equipment, etc, beginning with the first quarter of the consolidated accounting period. Based on this change, depreciation in the first half of the consolidated accounting period increased by 3,902 million yen, resulting in a decrease of 3,712 million yen for operating income and a decrease of 3,739 million yen for both ordinary income and quarterly net income before income taxes and minority interests.

Consolidated Balance Sheets

	As of Sept. 30, 2008	(Millions of yen) As of Mar. 31, 2008
(Assets)		
Current assets:		
Cash and deposits	41,994	47,366
Notes and accounts receivable	760,178	577,278
Merchandise and finished goods	285,770	249,773
Work in process	213,249	177,262
Raw materials and supplies	350,431	294,404
Other current assets	168,579	157,491
Allowance for doubtful accounts	(774)	(938)
Total current assets	1,819,429	1,502,638
Property, plant and equipment, net:		
Buildings and structures, net	450,242	461,590
Machinery and equipment, net	736,167	742,473
Land	536,660	538,440
Other property, plant and equipment, net	131,932	100,980
Total property, plant and equipment, net	1,855,003	1,843,483
Intangible assets	81,827	85,499
Investments and other assets:		
Investments in securities	536,197	593,536
Other assets	168,941	151,971
Allowance for doubtful accounts	(7,606)	(9,309)
Total investments and other assets	697,532	736,197
Deferred assets	2,047	2,261
Total assets	4,455,840	4,170,080
(Liabilities and shareholders' equity)		
Current liabilities:		
Notes and accounts payable	496,118	472,963
Short-term borrowings	314,691	186,133
Commercial paper	145,869	30,978
Current portion of corporate bonds	40,000	80,000
Current portion of convertible bonds	8,069	-
Reserves	32,786	28,005
Other current liabilities	542,775	537,289
Total current liabilities	1,580,309	1,335,371
Long-term liabilities:		
Corporate bonds	299,993	199,992
Convertible bonds	300,000	308,089
Long-term borrowings	455,718	476,744
Accrued retirement benefits	148,176	152,278
Allowance for losses on specific waste disposal business	48,045	51,043
Other reserves	57,745	57,827
Other long-term liabilities	60,199	47,052
Total long-term liabilities	1,369,879	1,293,028
(Net assets)		
Owners' equity:		
Common stock	147,143	147,143
Capital surplus	657,562	657,597
Retained earnings (Deficit)	997,209	897,969
Treasury stock, at cost	(371,380)	(270,927)
Total owners' equity	1,430,534	1,431,782
Valuation and translation adjustments:		
Net unrealized gains on securities	43,863	72,491
Deferred earnings on hedges	(1,657)	(469)
Revaluation reserve for land, net of tax	14,751	5,658
Translation adjustments	(26,879)	(12,949)
Total valuation and translation adjustments	30,078	64,731
Minority interests	45,039	45,167
Total net assets	1,505,651	1,541,680
Total liabilities and net assets	4,455,840	4,170,080

Consolidated Statements of Income

First Half of
Fiscal Year ending
Mar. 31, 2009

Net sales	2,103,162
Cost of sales	1,709,375
Selling, general and administrative expenses	156,163
Operating income	237,623
Non-operating income(loss):	
Interest income	731
dividends received	5,390
Profit on inventories	15,215
Equity in earnings of affiliates	20,298
Interest expense	(10,928)
Loss on disposal and sales of property, plant and equipment	(7,835)
Other, net	(1,877)
Ordinary income	258,618
Extraordinary profit:	
Profit on sales of investments in securities	13,783
Profit on sales of shares of affiliate companies	3,294
Total	17,077
Extraordinary loss:	
Loss on impairment	(19,464)
Total	(19,464)
Income before income taxes and minority interests	256,231
Income taxes:	
Current	104,793
Deferred	(3,369)
Minority interests	1,726
Net income	153,080

We are applying “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12) and “Guidelines for Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standard Application Guidelines No. 14) for the current fiscal year. In addition, we are preparing the quarterly consolidated financial statements in accordance with “Quarterly Consolidated Financial Statement Rules.”

(3) Notes pertaining to the presumption of a going concern

There are no items this period.

(4) Notes in case of significant changes to shareholders' equity

The company decided at the Board of Directors meeting held on February 28, 2008 that, in order to make it possible to pursue flexible capital policies in response to the changing business environment, it would set an upper limit of 120.0 billion yen, and a limit of 35 million shares on the company's acquisition of treasury shares in the period from March 18 to September 30, 2008. This acquisition program was completed on May 1, 2008 (contract base) with accumulated acquisitions in the market of 23,839,200 shares for 119,993 million yen. 4,878,600 shares were acquired for 21,261 million yen as of the end of March 2008, and 18,960,600 shares were acquired in the first quarter of the consolidated financial year for 98,731 million yen.

Reference

Consolidated Statements of Income

	First Half of Fiscal Year ended Mar. 31, 2008
Net sales	1,669,381
Cost of sales	(1,264,252)
Selling, general and administrative expenses	(151,232)
Operating income	253,896
Non-operating income(loss):	
Interest income and dividends received	5,400
Equity in earnings of affiliates	16,624
Interest expense	(8,822)
Other, net	(6,290)
Ordinary income	260,809
Extraordinary profit:	
Profit on sales of property, plant and equipment, etc.	1,344
Total	1,344
Extraordinary loss:	
Provision for allowance for losses from lawsuits	(1,452)
Total	(1,452)
Income before income taxes and minority interests	260,701
Income taxes:	
Current	(91,385)
Deferred	(7,094)
Minority interests	(1,406)
Net income	160,814

Supplementary Information

1. Consolidated Results for the 1st Half of Fiscal Year ending March 31, 2009
(billions of yen)

Items	1st Half of FY ended March 2008	1st Half of FY ending March 2009	Change	
Steel Business	1,544.3	1,893.9	349.6	22.6%
Engineering Business	109.6	125.5	15.9	14.5%
Shipbuilding Business	-	97.9	97.9	-
Urban Development Business	8.3	5.8	(2.5)	(30.1%)
LSI Business	23.2	18.5	(4.7)	(20.3%)
Eliminations and Corporate	(16.2)	(38.6)	(22.4)	-
Net Sales	1,669.3	2,103.1	433.8	26.0%
Operating Income	253.8	237.6	(16.2)	(6.4%)
Other Income (Expenses)	6.9	20.9	14.0	-
Steel Business	264.3	268.3	4.0	1.5%
Engineering Business	(4.8)	0.5	5.3	-
Shipbuilding Business	-	(7.1)	(7.1)	-
Urban Development Business	0.5	(2.8)	(3.3)	-
LSI Business	1.0	0.1	(0.9)	(90.0%)
Eliminations and Corporate	(0.3)	(0.3)	0.0	-
Ordinary Income	260.8	258.6	(2.2)	(0.8%)
Extraordinary Profit (Loss)	(0.1)	(2.3)	(2.2)	-
Interest	(99.8)	(103.1)	(3.3)	-
Net Income	160.8	153.0	(7.8)	(4.9%)

2. Earnings Forecast for Fiscal Year ending March 31, 2009

(billions of yen)

Items	FY ending March 2009(e)					
	Previous forecast		Updated forecast		Change	
	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year
Steel Business	1,870.0	3,900.0	1,893.9	3,920.0	23.9	20.0
Engineering Business	130.0	330.0	125.5	330.0	(4.5)	0.0
Shipbuilding Business	98.0	185.0	97.9	185.0	(0.1)	0.0
Urban Development Business	7.0	29.0	5.8	27.0	(1.2)	(2.0)
LSI Business	19.0	39.0	18.5	33.0	(0.5)	(6.0)
Eliminations and Corporate	(34.0)	(83.0)	(38.6)	(85.0)	(4.6)	(2.0)
Net Sales	2,090.0	4,400.0	2,103.1	4,410.0	13.1	10.0
Steel Business	200.0	440.0	251.0	510.0	51.0	70.0
Engineering Business	(7.0)	(4.0)	(3.5)	(1.0)	3.5	3.0
Shipbuilding Business	(8.0)	(12.0)	(7.5)	(12.0)	0.5	0.0
Urban Development Business	(2.0)	0.0	(2.8)	(2.0)	(0.8)	(2.0)
LSI Business	0.0	0.0	0.0	(3.0)	0.0	(3.0)
Eliminations and Corporate	(3.0)	(4.0)	0.3	(2.0)	3.3	2.0
Operating Income	180.0	420.0	237.6	490.0	57.6	70.0
Other Income (Expenses)	20.0	30.0	20.9	10.0	0.9	(20.0)
Steel Business	220.0	460.0	268.3	520.0	48.3	60.0
Engineering Business	(4.0)	1.0	0.5	5.0	4.5	4.0
Shipbuilding Business	(8.0)	(12.0)	(7.1)	(12.0)	0.9	0.0
Urban Development Business	(2.0)	0.0	(2.8)	(2.0)	(0.8)	(2.0)
LSI Business	0.0	0.0	0.1	(3.0)	0.1	(3.0)
Eliminations and Corporate	(6.0)	1.0	(0.3)	(8.0)	5.7	(9.0)
Ordinary Income	200.0	450.0	258.6	500.0	58.6	50.0
Extraordinary Profit (Loss)	-	-	(2.3)	(2.3)	(2.3)	(2.3)
Interest	(80.0)	(180.0)	(103.1)	(217.7)	(23.1)	(37.7)
Net Income	120.0	270.0	153.0	280.0	33.0	10.0

2. Consolidated financial indices

Financial Indices	FY ending March 2009(e)		
	Previous forecast	Updated forecast	Change
Return on Sales (ROS) *1	10.2%	11.3%	1.1%
Return on Assets (ROA) *2	10.8%	12.1%	1.3%
Debt Outstanding	1,590 bil. yen	1,620 bil. yen	30 bil. yen
Shareholders' Equity	1,600 bil. yen	1,470 bil. yen	(130) bil. yen
D/E Ratio	99.4%	110.2%	10.8%
D/E Ratio*3	74.8%	82.3%	7.5%

*1 ROS = Ordinary Income / Net Sales

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

*3 D/E ratio when 75% of the hybrid bond price of ¥300 billion is considered capital

(Reference)

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2008	Parent	7.38	7.66	15.04	7.72	7.76	15.48	30.52
	Consolidated	8.37	8.53	16.90	8.67	8.70	17.37	34.27
FY ending March 2009	Parent	7.71	7.78	15.49				
	Consolidated	8.70	8.58	17.28				

2. Shipments (JFE Steel on a non-consolidated basis) (million tons)

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2008	6.61	7.01	13.62	6.87	7.53	14.40	28.02
FY ending March 2009	6.92	7.22	14.14				

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

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2008	44.7	45.7	45.2	42.0	43.3	42.7	43.9
FY ending March 2009	41.6	44.9	43.4				

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

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2008	119.8	119.4	119.6	113.5	108.4	110.9	115.3
FY ending March 2009	103.4	108.0	105.7				

The forecast for 2H of FY ending March 2009 is based on the assumption 105 JPY/USD.
JFE will report an import surplus of approximately 2.0 billion USD for the FY ending March 2009.

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

	1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2008	78.8	80.6	79.7	79.1	78.5	78.7	79.2
FY ending March 2009	87.6	109.1	98.5				

6. Engineering business orders

(billion yen)

FY ending March 2009(e) 330.0
(including inter-segment transactions)

7. Shipbuilding business orders

(billion yen)

FY ending March 2009(e) 160.0
(including inter-segment transactions)

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

(billion yen)

	FY ending March 2009	
	1H	Full year(e)
Profit on sales of investments in securities	13.7	13.7
Profit on sales of shares of affiliate companies	3.2	3.2
Loss on impairment	(19.4)	(19.4)
Total	(2.3)	(2.3)

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 2008	(billion yen)
Sept. 30, 2007	1,261.0	1H	(8.8)
March 31, 2008	1,281.9	Full year	(18.0)
		FY ending March 2009	
Sept. 30, 2008	1,564.3	1H	(10.9)
March 31, 2009	1,620(e)	Full year	(23)(e)

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

(billion yen)

	FY March 08	FY March 09
Capital investment	223.6	280(e)
Depreciation	220.4	250(e)

11. Breakdown of a change in ordinary income (FY March 2009 compared to FY March 2008)

(billion yen)		<u>FY March 2008</u>	⇒	<u>FY March 2009</u>
Steel segment	11.1	508.9	⇒	520.0
Cost reduction	70.0			
Raw material	(870.0)			
Sales volume and price	760.0			
Depreciation and amortization	(20.0)			
Unrealized holding gains on inventories	40.0			
Others	31.1			
Engineering segment	16.0	(11.0)	⇒	5.0

Continues to face difficult business conditions, but expects ongoing efforts to improve earnings to result in an increase in profit over the previous year.

Shipbuilding segment (12.0) - ⇒ (12.0)

Expects prices of steel products and other materials/equipment to remain at a high level. While cost reduction efforts through productivity improvements will continue, high input prices coupled with the amortization of goodwill are expected to result in an ordinary loss of 12.0 billion yen.

Urban development segment (3.4) 1.4 ⇒ (2.0)

Expects to report an increase in sales thanks to sales revenue from the Yokohama Yamanouchi development project, but expects an ordinary loss of 2.0 billion yen on revisions to the sales prices of condominiums.

LSI segment (4.1) 1.1 ⇒ (3.0)

Expects products for LCD panels and digital cameras to decline in terms of both sales price and volume, resulting in an ordinary loss of 3.0 billion yen.