

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

1. Consolidated income statements

Items	FY ending March 2006		Change	(Reference) FY ended March 2005 (actual)
	(Previous forecast)	(Updated forecast)		
	(billion yen)			
Steel Business	2,690.0	2,700.0	10.0	2,421.7
Engineering Business	320.0	310.0	(10.0)	351.5
Urban Development Business	29.0	29.0	0.0	31.5
LSI Business	46.5	46.0	(0.5)	36.0
Eliminations and Corporate	(35.5)	(35.0)	0.5	(37.2)
Net Sales	3,050.0	3,050.0	0.0	2,803.6
Steel Business	515.0	510.0	(5.0)	456.3
Engineering Business	(2.0)	(4.5)	(2.5)	5.3
Urban Development Business	2.4	2.6	0.2	2.4
LSI Business	2.0	2.0	0.0	1.9
Eliminations and Corporate	2.6	(0.1)	(2.7)	1.1
Operating Income	520.0	510.0	(10.0)	467.2
Other Income (Expenses)	(20.0)	(10.0)	10.0	(6.5)
[Included] Interest Expenses	(16.0)	(16.0)	0.0	(21.7)
Steel Business	500.0	500.0	0.0	450.3
Engineering Business	0.0	0.0	0.0	8.7
Urban Development Business	2.3	2.3	0.0	2.2
LSI Business	2.0	2.0	0.0	1.8
Eliminations and Corporate	(4.3)	(4.3)	0.0	(2.4)
Ordinary Income	500.0	500.0	0.0	460.6
Extraordinary Profit (Loss)	(15.0)	(10.0)	5.0	(157.0)
Tax Expense and Minority Interest	(175.0)	(180.0)	(5.0)	(143.6)
Net Income	310.0	310.0	0.0	160.0

2. Consolidated financial indices

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

		(million tons)						
		1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2005	Parent	6.98	6.96	13.94	7.11	6.60	13.71	27.65
	Consolidated	7.94	7.86	15.80	8.05	7.43	15.48	31.28
FY ending March 2006	Parent	6.95	6.64	13.59	6.34	6.80(e)	13.14(e)	26.73(e)
	Consolidated	7.90	7.47	15.37	7.15	7.66(e)	14.81(e)	30.18(e)

4. Steel product shipments (JFE Steel on a non-consolidated basis)

		(million tons)						
		1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2005		—	—	12.84	—	—	12.89	25.73
FY ending March 2006		6.27	6.14	12.41	5.76	6.27(e)	12.03(e)	24.44(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 2005		—	—	44.0%	—	—	44.4%	44.2%
FY ending March 2006		44.3%	44.0%	44.2%	40.5%	43%(e)	42%(e)	43%(e)

6. Foreign exchange rate fluctuations

JFE expects an export surplus of approximately 0.9 billion USD for the FY ending March 2006. Foreign exchange forward contracts are used for most export transactions, so the effects of exchange rate fluctuations will be minor.

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

		(thousand yen per ton)						
		1Q	2Q	1H	3Q	4Q	2H	Full year
FY ended March 2005		—	—	57.7	—	—	65.7	61.7
FY ending March 2006		73.0	78.2	75.6	79.4	78(e)	79(e)	77(e)

8. Engineering business orders

Approximately 300 billion yen (estimated) for the FY ending March 2006, down 16.6% from the previous year (including inter-segment transactions).

9. 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
March 31, 2006 (e)	180.0

10. Breakdown of extraordinary profit and losses (JFE Holdings on a consolidated basis)

(FY ending March 2006)	(billion yen)		
	1H	2H(e)	Full year(e)
Profit on sales of investment securities	3.9	16.0	20.0
Cost of treatment of PCB-containing waste*	(10.9)	(2.0)	(13.0)
Surcharges, etc.**	(2.5)		(2.5)
Loss on disposal of assets, etc.		(14.0)	(14.0)
Extraordinary losses	(9.6)	(0.4)	(10.0)

* 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 consolidated financial period.

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

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

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

12. Capital investment and depreciation costs (JFE Holdings on a consolidated basis)

	FY March 05 (actual)	(billion yen) FY March 06 (forecast)
Capital investment	157.2	160
Depreciation	179.7	180

13. 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
Cost reduction	31.0			
Forex change	3.0			
Raw material	(245.0)			
Sales volume, price, and mix	246.0			
		246.0 billion yen includes the positive effects of an increase in high-end products such as "Only one" and "Number one" products.		
Other, net	14.7			

		<u>FY March 2005</u>	⇒	<u>FY March 2006 (e)</u>
Engineering segment	(8.7)	8.7	⇒	0

Sales and ordinary income will decrease from being barred from bidding on 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 slightly thanks to cost reductions.

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

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