

JFE Holdings' Financial Results in First Half of Fiscal Year 2011 Ending March 31, 2012

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —
(Note: The following is an English translation of an original Japanese document)

October 26, 2011

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Listings: Tokyo, Osaka and Nagoya stock exchanges
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1. Consolidated Results in First Half of Fiscal 2011 (April 1 to September 30, 2011)

(1) Statements of Income

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Net income (million yen)	Year-on-year change (%)	Net income per share (yen)	Net income per share [fully diluted] (yen)
1H FY 2011	1,569,313	(0.2)	52,911	(53.9)	50,638	(51.8)	(24,311)	-	(45.80)	-
1H FY 2010	1,572,257	20.3	114,863	-	104,989	-	46,050	-	87.10	84.61

Note: Comprehensive income: (13,517) million yen in 1H FY 2011
17,423 million yen in 1H FY 2010

(2) Balance Sheets

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)
End 1H FY 2011	3,978,561	1,455,628	35.6
End FY 2010	3,976,644	1,478,310	36.2

Note: Shareholders' equity: 1,414,436 million yen as of September 30, 2011
1,437,595 million yen as of March 31, 2011

2. Dividends in Fiscal 2011

	Dividend per share (yen)	
	Interim	Year-end
FY 2010	35.00	20.00
FY 2011	-	10.00
FY 2011 (estimate)	-	-

Note: Revisions to the dividend forecast announced most recently: No
The year-end dividend and the total dividend are not yet determined

3. Forecasts of Consolidated Financial Results in Fiscal 2011

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Net income (million yen)	Year-on-year change (%)	Net income per share (yen)
FY 2011	3,360,000	5.1	100,000	(45.3)	100,000	(39.7)	20,000	(65.9)	37.67

Note: Revisions to the consolidated financial results forecasts announced most recently: Yes

4. Others

1. Significant change in subsidiaries during the term (change in designated subsidiaries resulting in adjustment to the scope of consolidation): No
2. Application of special accounting method in the preparation of quarterly consolidated financial statements: No
3. Changes in the accounting policies, accounting estimates and corrections of errors
 - 1) Changes in the accounting policies resulting from amendments to accounting standards: No
 - 2) Changes other than 1) above: No
 - 3) Changes in the accounting estimates: No
 - 4) Corrections of errors: No
4. Number of outstanding shares (common stock)
 - 1) Outstanding shares at the end of term (including treasury stock)
 - As of September 30, 2011: 614,438,399 shares
 - As of March 31, 2011: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of September 30, 2011: 83,575,609 shares
 - As of March 31, 2011: 83,667,772 shares
 - 3) Average number of shares issued during the term (first half consolidated period)
 - 1H FY 2011: 530,885,071 shares
 - 1H FY 2010: 528,726,870 shares

Status of Quarterly Review

At the point of disclosing these quarterly financial results, the review of consolidated balance sheets in accordance with the Financial Instruments and Exchange Act was underway.

Explanation of appropriate use of results forecasts, and other matters of note

1. 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 "Consolidated results forecasts" on page 2 of the attached document.
2. Notes to the financial results can be viewed at the JFE Holdings website.

Attachments

1. Qualitative Information

- (1) Consolidated business results
- (2) Consolidated results forecasts

2. Consolidated Financial Statements

- (1) Consolidated balance sheets
- (2) Consolidated statements of income and consolidated statements of comprehensive income
 - Consolidated statements of income (first half)
 - Consolidated statements of comprehensive income (first half)
- (3) Notes pertaining to the presumption of a going concern
- (4) Notes in case of significant changes to shareholders' equity
- (5) Important subsequent events

3. Reference

1. Qualitative Information

(1) Consolidated business results

The environment surrounding the Japanese economy in the first half of fiscal 2011 (ended September 30, 2011) remained harsh due to the yen's continued strength in foreign currency markets, although signs of recovery from the Great East Japan Earthquake were seen.

On a consolidated basis, JFE Holdings' sales and income figures in the first half of fiscal 2011 decreased from the same period a year earlier, including net sales of 1,569.3 billion yen, operating income of 52.9 billion yen and ordinary income of 50.6 billion yen. After posting an extraordinary loss of 94.0 billion yen due partly to writing down investment securities, the net loss before income taxes and minority interests was 43.4 billion yen and the net loss was 24.3 billion yen, both worse than year-earlier figures.

By segment, JFE's steel business posted net sales of 1,371.9 billion yen, up from the first half of fiscal 2010 due partly to higher sales prices, even though sales volume declined. Ordinary income fell to 37.7 billion yen, despite ongoing efforts to improve earnings, due to soaring raw material prices.

Engineering business net sales decreased year on year to 104.5 billion yen. Ordinary income of 1.0 billion yen also decreased due to narrower profit margins.

Shipbuilding business net sales increased year on year to 114.3 billion yen. Ordinary income declined to 11.0 billion yen due to a reduced reversal of the allowance for losses on construction contracts.

LSI business net sales totaled 11.1 billion yen, a year-on-year decrease, due to factors such as the yen's continued appreciation. Ordinary income declined to 600 million yen, also because of the strong yen.

(2) Consolidated results forecasts

The following are full-year forecasts for each business segment.

In the steel business, at a time of rising worldwide concern about an economic slowdown, the outlook has become uncertain due to the effects of flooding in Thailand, as well as a steadily deteriorating supply–demand balance, particularly in Asia, due to continued high levels of production and exports mainly in China. The Japanese market began to recover from the Great East Japan Earthquake, but declining competitiveness of domestic industries due to the strong yen caused increasing uncertainty about the future. The steel business forecasts ordinary income of 80 billion yen, down from the previous forecast because the market's persistent weakness has slowed recovery in this business more than expected, despite continued and strengthened efforts to reduce costs.

The engineering business forecasts ordinary income of 14 billion yen, up from the previous forecast thanks to vigorous efforts to improve earnings amid severe business conditions.

The shipbuilding business forecasts ordinary income of 7.5 billion yen due to a reduced allowance

for construction losses. Continued efforts will be made to improve earnings by cutting costs and raising productivity.

The LSI business forecasts ordinary income of 1.4 billion yen, weaker than the previous forecast due to declining demand for products for liquid crystal panels and the impact of the strong yen.

JFE Holdings' full-year consolidated forecasts are net sales of 3,360 billion yen, operating income of 100 billion yen, ordinary income of 100 billion yen and net income of 20 billion yen.

The company's board of directors has decided to pay an interim dividend of 10 yen per share. A decision about the year-end payment will be withheld until the company's actual performance becomes clearer.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2011	As of September 30, 2011
(Assets)		
Current assets:		
Cash and deposits	49,591	48,012
Notes and accounts receivable	547,922	513,644
Merchandise and finished goods	254,612	290,118
Work in process	52,589	66,337
Raw materials and supplies	359,321	398,375
Other current assets	137,754	130,889
Allowance for doubtful accounts	(398)	(273)
Total current assets	<u>1,401,391</u>	<u>1,447,104</u>
Property, plant and equipment, net:		
Buildings and structures, net	424,751	423,452
Machinery and equipment, net	667,200	666,629
Land	520,408	518,604
Other property, plant and equipment, net	99,957	79,526
Total property, plant and equipment, net	<u>1,712,318</u>	<u>1,688,212</u>
Intangible assets	62,549	59,757
Investments and other assets:		
Investments in securities	654,797	609,475
Other assets	150,236	178,673
Allowance for doubtful accounts	(5,647)	(5,471)
Total investments and other assets	<u>799,387</u>	<u>782,677</u>
Deferred assets	997	808
Total assets	<u>3,976,644</u>	<u>3,978,561</u>

(million yen)

	As of March 31, 2011	As of September 30, 2011
(Liabilities and shareholders' equity)		
Current liabilities:		
Notes and accounts payable	353,865	359,399
Short-term borrowings	229,652	304,651
Commercial paper	27,994	8,999
Current portion of corporate bonds	60,000	59,999
Allowances	25,216	10,903
Other current liabilities	342,946	309,885
Total current liabilities	1,039,675	1,053,838
Long-term liabilities:		
Corporate bonds	289,997	314,999
Convertible bonds	300,000	300,000
Long-term borrowings	588,768	582,163
Accrued retirement benefits	127,605	127,149
Other allowances	87,103	82,596
Others	65,182	62,185
Total long-term liabilities	1,458,658	1,469,093
(Net assets)		
Owners' equity:		
Common stock	147,143	147,143
Capital surplus	651,964	651,578
Retained earnings	1,081,697	1,049,463
Treasury stock, at cost	(415,890)	(415,263)
Total owners' equity	1,464,913	1,432,921
Accumulated other comprehensive income:		
Net unrealized gains on securities	7,878	14,855
Deferred earnings on hedges	29	(1,177)
Revaluation reserve for land, net of tax	12,097	12,095
Translation adjustments	(47,324)	(44,258)
Total accumulated other comprehensive income	(27,318)	(18,485)
Minority interests	40,715	41,192
Total net assets	1,478,310	1,455,628
Total liabilities and net assets	3,976,644	3,978,561

(2) Consolidated Statements of Income

	First Half of Fiscal 2010	(million yen) First Half of Fiscal 2011
Net sales	1,572,257	1,569,313
Cost of sales	1,333,660	1,397,151
Selling, general and administrative expenses	123,733	119,251
Operating income	114,863	52,911
Non-operating income:		
Interest income	511	242
Dividends received	3,316	4,914
Equity in earnings of affiliates	8,838	12,176
Other, net	15,111	10,619
Non-operating expense:		
Interest expense	8,479	7,515
Foreign exchange loss	9,489	8,933
Other, net	19,683	13,777
Ordinary income	104,989	50,638
Extraordinary loss:		
Effect of applying accounting standard for asset retirement obligations	5,306	-
Write-down of investments in securities	6,589	81,077
Provision for all allowance for losses from lawsuits	7,713	-
Loss due to disaster	-	12,998
Income before income taxes and minority interests (loss)	85,379	(43,437)
Income taxes	36,961	(21,130)
Quarterly net income before minority interests (loss)	48,418	(22,307)
Minority interests	2,368	2,004
Net income (loss)	46,050	(24,311)

Consolidated Statements of Comprehensive Income

	First Half of Fiscal 2010	(million yen) First Half of Fiscal 2011
Net income before minority interests (loss)	48,418	(22,307)
Other comprehensive income		
Net unrealized gains on securities	(19,967)	8,729
Deferred earnings on hedges	(1,300)	(1,218)
Translation adjustments	(3,940)	1,575
Equivalent share of gain/loss to equity method affiliates	(5,786)	(297)
Total other comprehensive income	(30,994)	8,789
Comprehensive income	17,423	(13,517)
(breakdown)		
Comprehensive income attributable to parent shareholder	15,233	(15,477)
Comprehensive income attributable to minority shareholders	2,190	1,959

(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

There are no items this period.

(5) Important subsequent events

JFE Holdings Inc., JFE Steel Corporation and its equity-method affiliate JFE Shoji Holdings, Inc. and JFE Shoji Trade Corporation reached agreement on the basic details of a plan to turn JFE Shoji Trade (the surviving company of the planned merger with JFE Shoji Holdings on April 1, 2012) into a wholly owned subsidiary of JFE Holdings through a share exchange using treasury shares of JFE Holdings. The four companies, following approval of the plan by their respective boards of directors, signed a memorandum of understanding on the agreement on October 26, 2011 and will now consider additional details going forward.

i. Purpose

The plan aims to leverage JFE Shoji Trade's marketing capabilities throughout the JFE Group and strengthen and streamline the overall supply chain in the group's steel business.

ii. Method and details of share exchange

The share exchange will turn JFE Shoji Trade Corporation, the surviving company after a merger with JFE Shoji Holdings on April 1, 2012, into a wholly owned subsidiary of parent company JFE Holdings. Shareholders of JFE Shoji Trade will be allotted common shares of JFE Holdings in consideration of the share exchange. The ratio of allotment will be determined upon consultation among relevant parties, with consideration for the analysis, advice, etc. of financial advisors and other external experts.

iii. Date of share exchange

Scheduled on April 2013

2. JFE Holdings' consolidated subsidiaries JFE Steel Corporation and JFE Engineering Corporation, which had adopted the tax-qualified pension plan and the retirement lump-sum system, discontinued the tax-qualified pension plan and shifted to the defined-contribution pension plan and the defined-benefit pension plan on October 1, 2011.

Accounting relating to this shift will be applied in accordance with the Guidance on Accounting for Transfers between Retirement Benefit Plans (ASBJ Guidance No.1, January 31, 2002).

The effect on earnings, which is currently being calculated, is expected to result in the booking of an extraordinary loss of around 16 billion yen through the third quarter.

3. Reference

1. Consolidated Results

(billion yen)

Items	First Half of Fiscal 2010 (Apr-Sep)	First Half of Fiscal 2011 (Apr-Sep)	Change	
Steel Business	1,369.5	1,371.9	2.4	0.2%
Engineering Business	104.8	104.5	(0.3)	(0.3)%
Shipbuilding Business	106.6	114.3	7.7	7.2%
Urban Development Business	8.5	-	(8.5)	-
LSI Business	12.1	11.1	(1.0)	(8.3)%
Adjustments	(29.5)	(32.7)	(3.2)	-
Net Sales	1,572.2	1,569.3	(2.9)	(0.2)%
Operating Income	114.8	52.9	(61.9)	(53.9)%
Other Income (Expenses)	(9.8)	(2.3)	7.5	-
Steel Business	88.1	37.7	(50.4)	(57.2)%
Engineering Business	3.4	1.0	(2.4)	(70.6)%
Shipbuilding Business	12.5	11.0	(1.5)	(12.0)%
Urban Development Business	(0.5)	-	0.5	-
LSI Business	0.8	0.6	(0.2)	(25.0)%
Adjustments	0.6	0.1	(0.5)	-
Ordinary Income (Loss)	104.9	50.6	(54.3)	(51.8)%
Extraordinary Profit (Loss)	(19.6)	(94.0)	(74.4)	-
Income before income taxes and minority interests (Loss)	85.3	(43.4)	(128.7)	-
Tax Expense and Minority Interest	(39.3)	19.1	58.4	-
Net Income (Loss)	46.0	(24.3)	(70.3)	-

2. Consolidated Earnings Forecasts for Fiscal 2011

(billion yen)

	FY 2011						(Reference) FY 2010 Full Year
	Previous forecast (July 27, 2011)		Updated forecast (October 26, 2011)		Change		
	1H	Full year	1H	Full year	1H	Full year	
Steel Business	1,400.0	2930.0	1,371.9	2,870.0	(28.1)	(60.0)	2,747.4
Engineering Business	100.0	300.0	104.5	310.0	4.5	10.0	265.1
Shipbuilding Business	105.0	210.0	114.3	210.0	9.3	0	210.8
Urban Development Business	-	-	-	-	-	-	13.3
LSI Business	12.0	24.0	11.1	22.0	(0.9)	(2.0)	24.1
Adjustments	(17.0)	(64.0)	(32.7)	(52.0)	(15.7)	12.0	(65.3)
Net Sales	1,600.0	3,400.0	1,569.3	3,360.0	(30.7)	(40.0)	3,195.5
Operating Income	50.0	130.0	52.9	100.0	2.9	(30.0)	182.8
Other Income (Expenses)	0	0	(2.3)	0	(2.3)	0	(17.0)
Steel Business	43.0	120.0	37.7	80.0	(5.3)	(40.0)	134.2
Engineering Business	(1.0)	10.0	1.0	14.0	2.0	4.0	12.2
Shipbuilding Business	6.0	4.5	11.0	7.5	5.0	3.0	17.1
Urban Development Business	-	-	-	-	-	-	(0.7)
LSI Business	0.8	1.8	0.6	1.4	(0.2)	(0.4)	1.6
Adjustments	1.2	(6.3)	0.1	(2.9)	(1.1)	3.4	1.1
Ordinary Income	50.0	130.0	50.6	100.0	0.6	(30.0)	165.8
Extraordinary Profit (Loss)	(18.0)	(33.0)	(94.0)	(100.0)	(76.0)	(67.0)	(50.5)
Income Before Income Taxes and Minority Interests (Loss)	32.0	97.0	(43.4)	0	(75.4)	(97.0)	115.2
Tax Expense and Minority Interest	(15.0)	(17.0)	19.1	20.0	34.1	37.0	(56.6)
Net Income (Loss)	17.0	80.0	(24.3)	20.0	(41.3)	(60.0)	58.6

3. Consolidated financial indices

	FY 2011			(Reference) FY 2010
	Previous forecast	Updated forecast	Change	
Return on Sales (ROS) *1	3.8%	3.0%	(0.8)%	5.2%
Return on Assets (ROA) *2	3.6%	2.9%	(0.7)%	4.6%
Debt Outstanding	1,590.0 billion yen	1,590.0 billion yen	0 billion yen	1,496.4 billion yen
Shareholders' Equity	1,500.0 billion yen	1,450.0 billion yen	(50.0) billion yen	1,437.5 billion yen
D/E Ratio	106.0%	109.7%	3.7%	104.1%
D/E Ratio*3	79.1%	81.5%	2.4%	76.5%

*1 ROS = Ordinary Income / Net Sales

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

*3 D/E ratio in the rating of hybrid bonds having a capital component (unsecured share-warrant convertible bonds with a subordinate purchase option issued in March 2008), with 75% of the 300 billion yen issue price deemed to be capital, as assessed by rating agencies.

4 Crude Steel Production (JFE Steel) (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2010	Non-consolidated	7.26	7.09	14.35	7.21	7.24	14.45	28.80
	Consolidated	8.01	7.70	15.70	7.89	7.88	15.77	31.47
FY 2011	Non-consolidated	6.71	6.94	13.65				
	Consolidated	7.22	7.46	14.68				

5 Shipments (JFE Steel on non-consolidated basis) (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2010		6.54	6.61	13.14	6.33	6.77	13.10	26.25
FY 2011		6.09	6.32	12.41				

6 Export Ratio on Value Basis (JFE Steel on non-consolidated basis) (%)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2010		49.5	45.2	47.2	43.2	48.3	45.7	46.5
FY 2011		49.4	44.4	46.9				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2010		92.8	86.6	89.7	83.0	81.8	82.4	86.0
FY 2011		82.0	78.4	80.2				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2010		74.6	81.6	78.1	79.3	75.9	77.6	77.9
FY 2011		82.4	85.6	84.0				

9. Engineering Business Orders (including inter-segment transactions)

	(billion yen)		
FY 2011	360*	40.4% increase from previous year	* estimate

10. Shipbuilding Business Orders (including inter-segment transactions)

	(billion yen)		
FY 2011	130*	59.5% increase from previous year	* estimate

11. Debt Outstanding, Interest Expense, and Cash and Deposits

(JFE Holdings on consolidated basis)

<u>Debt outstanding</u>		<u>Interest expense</u>	
As of	(billion yen)		(billion yen)
March 31, 2011	1,496.4	FY 2010	(16.4)
March 31, 2012	1,590*	FY 2011	(16)*
<u>Cash and deposits</u>			
As of	(billion yen)		
March 31, 2011	49.5		
March 31, 2012	35*		

* estimate

12. Capital Investment and Depreciation Cost (JFE Holdings on consolidated basis)

(billion yen)

	FY 2010	FY 2011	
Capital investment	180.4	170*	(on construction basis)
Depreciation	246.6	240*	

* estimate

11. Breakdown of changes in ordinary income (Forecast for FY 2011 compared to FY 2010)

(billion yen)		<u>FY 2010</u>	⇒	<u>FY 2011 (forecast)</u>
Steel Business	(54.2)	134.2	⇒	80.0
Cost reduction	60.0			
Raw material	(340.0)			
Sales volume, price and Product mix	200.0			
Unrealized holding gains on inventories	10.0			
Others	15.8			
Engineering Business	1.8	12.2	⇒	14.0

Forecasts ordinary income of 14 billion yen, up from the previous fiscal year thanks to continued efforts to increase earnings amidst severe business conditions.

Shipbuilding Business	(9.6)	17.1	⇒	7.5
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Forecasts ordinary income of 7.5 billion yen, down from the previous fiscal year due to a reduced allowance for construction losses despite continued efforts to improve earnings by cutting costs, etc.

LSI Business	(2.0)	1.6	⇒	1.4
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Forecasts ordinary income of 1.4 billion yen, down from the previous fiscal year due to factors such as decreased net sales due to the strong yen.

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