



JFE Group

***Financial Results in First Half of
Fiscal Year 2017 ending March 31, 2018***

JFE Holdings, Inc.

November 1, 2017



JFE

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- Dividends

This presentation material is for information and discussion purpose only.

Any statements in the presentation which are not historical facts are future projections based on certain assumptions and currently available information. Please note that actual performance may vary significantly due to various factors.



**Consolidated Results in First Half
of Fiscal Year 2017
(April 1 to September 30, 2017)**



Financial Results in First Half of Fiscal Year 2017

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(billion yen)

	FY2016 1H (Apr-Sep)	FY2017 1H (Apr-Sep)	Change
Net Sales	1,499.5	1,725.3	225.8
Operating Income	4.0	96.5	92.5
Non-operating Income (Expenses)	(14.1)	4.9	19.0
Ordinary Income (Loss)	(10.1)	101.4	111.5
Extraordinary Profit	3.5	19.3	15.8
Profit (Loss) before Income Taxes	(6.5)	120.7	127.2
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(1.8)	(33.7)	(31.9)
Profit (Loss) Attributable to Owners of Parent	(8.4)	87.0	95.4



Financial Results in First Half of Fiscal Year 2017 ^{JFE-HD}

(by Segment)

(billion yen)

	FY2016 1H (Apr-Sep)	FY2017 1H (Apr-Sep)	Change
Steel Business	1,072.4	1,294.7	222.3
Engineering Business	175.3	160.2	(15.1)
Trading Business	775.8	916.2	140.4
Adjustments	(524.0)	(645.9)	(121.9)
Net Sales	1,499.5	1,725.3	225.8
Steel Business	(24.4)	84.6	109.0
Engineering Business	7.6	2.5	(5.1)
Trading Business	7.6	16.2	8.6
Adjustments	(1.0)	(2.0)	(1.0)
Ordinary Income (Loss)	(10.1)	101.4	111.5



Financial Results in First Half of Fiscal Year 2017 ^{JFE-HD} (by Segment)

(billion yen)

	FY2017 1H (Apr-Sep)		Change
	Previous Forecasts	Actual Results	
Steel Business	1,300.0	1,294.7	(5.3)
Engineering Business	160.0	160.2	0.2
Trading Business	905.0	916.2	11.2
Adjustments	(665.0)	(645.9)	19.1
Net Sales	1,700.0	1,725.3	25.3
Steel Business	85.0	84.6	(0.4)
Engineering Business	1.5	2.5	1.0
Trading Business	15.0	16.2	1.2
Adjustments	(1.5)	(2.0)	(0.5)
Ordinary Income	100.0	101.4	1.4



**Forecasts of Consolidated Financial
Results in Fiscal Year 2017
(April 1, 2017 to March 31, 2018)**

Financial Forecasts for Fiscal Year 2017



JFE

(billion yen)

	Previous Forecasts (Aug. 1, 2017)		Updated Forecasts (Nov. 1, 2017)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Net Sales	1,700.0		1,725.3	3,650.0	25.3	
Operating Income	100.0		96.5	210.0	(3.5)	
Non-operating Income (Expenses)	0.0		4.9	(10.0)	4.9	
Ordinary Income	100.0	200.0	101.4	200.0	1.4	0.0
Extraordinary Profit	20.0	20.0	19.3	20.0	(0.7)	0.0
Profit (Loss) before Income Taxes	120.0	220.0	120.7	220.0	0.7	0.0
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(35.0)	(70.0)	(33.7)	(70.0)	1.3	0.0
Profit (Loss) Attributable to Owners of Parent	85.0	150.0	87.0	150.0	2.0	0.0

ROS(*) 5.9% 5.9% 5.5% 0.0%

*Return on Sales: Ordinary Income / Net Sales

Financial Forecasts for Fiscal Year 2017 (by Segment)

(billion yen)

	Previous Forecasts (Aug. 1, 2017)		Updated Forecasts (Nov. 1, 2017)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Steel Business	1,300.0	/	1,294.7	2,720.0	(5.3)	/
Engineering Business	160.0		160.2	420.0	0.2	
Trading Business	905.0		916.2	1,830.0	11.2	
Adjustments	(665.0)		(645.9)	(1,320.0)	19.1	
Net Sales	1,700.0		1,725.3	3,650.0	25.3	
Steel Business	85.0	150.0	84.6	150.0	(0.4)	0.0
Engineering Business	1.5	25.0	2.5	25.0	1.0	0.0
Trading Business	15.0	28.0	16.2	29.0	1.2	1.0
Adjustments	(1.5)	(3.0)	(2.0)	(4.0)	(0.5)	(1.0)
Ordinary Income	100.0	200.0	101.4	200.0	1.4	0.0



Financial Forecasts for Fiscal Year 2017

(billion yen)

	FY2016 (A)		FY2017 (F)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Net Sales	1,499.5	3,308.9	1,725.3	3,650.0	225.8	341.1
Operating Income	4.0	96.7	96.5	210.0	92.5	113.3
Non-operating Income (Expenses)	(14.1)	(12.0)	4.9	(10.0)	19.0	2.0
Ordinary Income (Loss)	(10.1)	84.7	101.4	200.0	111.5	115.3
Extraordinary Profit	3.5	20.7	19.3	20.0	15.8	(0.7)
Profit (Loss) before Income Taxes	(6.5)	105.4	120.7	220.0	127.2	114.6
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(1.8)	(37.5)	(33.7)	(70.0)	(31.9)	(32.5)
Profit (Loss) Attributable to Owners of Parent	(8.4)	67.9	87.0	150.0	95.4	82.1
ROS(*)	(0.7%)	2.6%	5.9%	5.5%	6.6%	2.9%

*Return on Sales: Ordinary Income / Net Sales

Financial Forecasts for Fiscal Year 2017 (by Segment)

(billion yen)

	FY2016 (A)		FY2017 (F)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Steel Business	1,072.4	2,349.1	1,294.7	2,720.0	222.3	370.9
Engineering Business	175.3	426.1	160.2	420.0	(15.1)	(6.1)
Trading Business	775.8	1,671.0	916.2	1,830.0	140.4	159.0
Adjustments	(524.0)	(1,137.3)	(645.9)	(1,320.0)	(121.9)	(182.7)
Net Sales	1,499.5	3,308.9	1,725.3	3,650.0	225.8	341.1
Steel Business	(24.4)	40.5	84.6	150.0	109.0	109.5
Engineering Business	7.6	26.6	2.5	25.0	(5.1)	(1.6)
Trading Business	7.6	21.8	16.2	29.0	8.6	7.2
Adjustments	(1.0)	(4.2)	(2.0)	(4.0)	(1.0)	0.2
Ordinary Income (Loss)	(10.1)	84.7	101.4	200.0	111.5	115.3



JFE Steel

Financial Results in First Half of Fiscal Year 2017

Production and Shipment

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		Unit	FY2016						FY2017		
			1Q	2Q	1H	3Q	4Q	2H	1Q	2Q	1H
Crude Steel (Standalone)	Mt	6.94	7.06	14.00	7.12	7.02	14.13	28.14	7.12	6.98	14.10
Crude Steel (Consolidated)	Mt	7.52	7.62	15.14	7.66	7.61	15.27	30.41	7.53	7.38	14.91
Shipment (Standalone)	Mt	6.26	6.34	12.60	6.43	6.68	13.10	25.70	6.14	6.28	12.42
Export Ratio on Value Basis (Standalone)	%	43.6	44.1	43.9	43.3	44.9	44.2	44.0	42.1	44.2	43.2
Average Sales Prices (Standalone)	000 yen/ t	58.5	58.6	58.6	61.5	72.0	66.8	62.8	74.4	73.3	73.8
Exchange rate	¥/\$	111.1	103.5	107.3	106.1	114.3	110.2	108.8	111.5	110.9	111.2
Exchange rate (End of Term)	¥/\$	102.9	101.1	101.1	116.5	112.2	112.2	112.2	112.0	112.7	112.7

19.7 Billion Yen increase in JFE Steel's Ordinary Income (FY16 2H vs. FY17 1H)



(billion yen)

JFE Steel	FY16 2H Actual	FY17 1H Actual	Change 2H → 1H
Ordinary Income	64.9	84.6	19.7

- Cost reductions + 15.0
- Volume and Mix - 3.0
- Sales and Raw materials + 70.0
- Inventory valuation - 67.0
- Impact of change in depreciation method + 11.0
- Others - 6.3

⇒ Increase in sub raw materials cost including ferro-alloy etc.

TOTAL

+ 19.7

0.4 Billion Yen decrease in JFE Steel's Ordinary Income (FY17 1H (Forecast) vs. FY17 1H (Actual))



(billion yen)

JFE Steel	FY17 1H Forecast	FY17 1H Actual	Change 1H (F) → (A)
Ordinary Income	85.0	84.6	(0.4)

- Cost reductions ± 0.0
- Volume and Mix − 8.0
- Sales and Raw materials ± 0.0
- Inventory valuation + 4.0
- Others + 3.6

TOTAL
− 0.4

JFE Steel

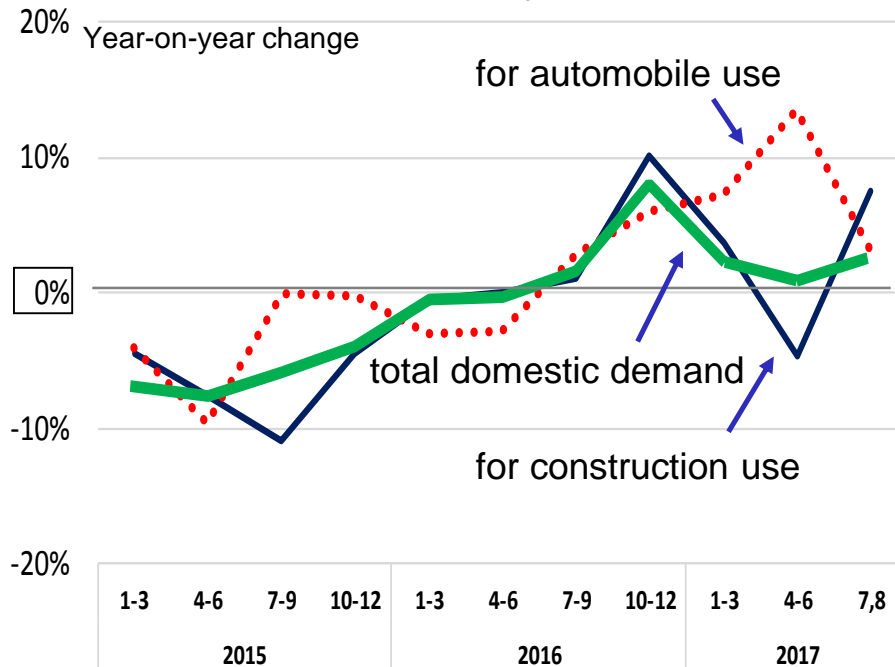
Financial Forecasts for Fiscal Year 2017

Current Business Environment (Domestic)

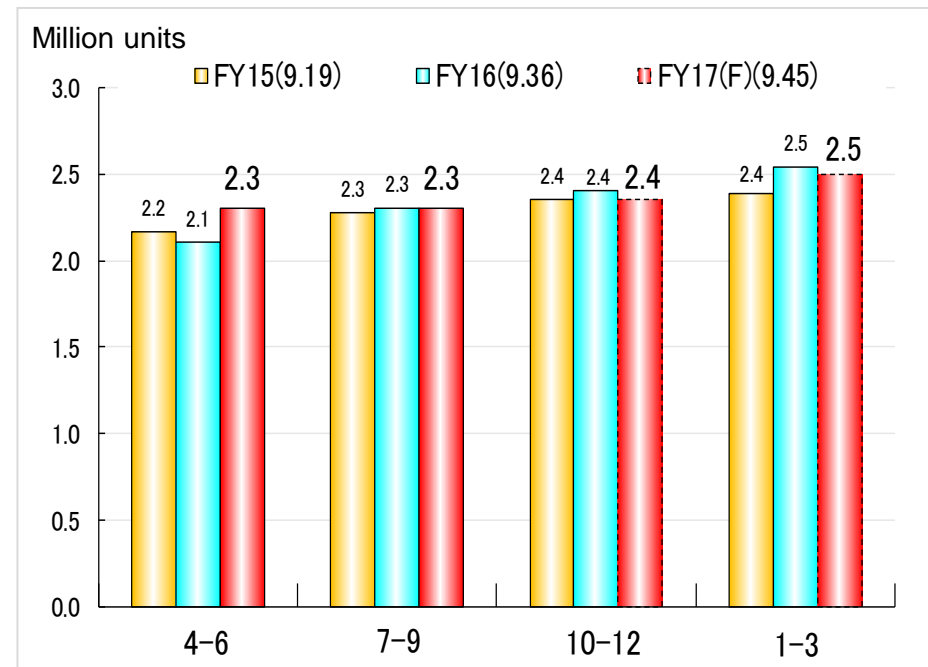
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- Domestic ordinary steel orders recorded +1.8% growth on a year-on-year basis in January to August period.
- By segment steady orders for automobile use recorded +8.2% growth and orders for construction use recorded +1.3% growth thanks to urban redevelopment projects and projects connected with the Tokyo Olympic Games.

【Trend of ordinary steel orders】



【Outlook for domestic auto production】

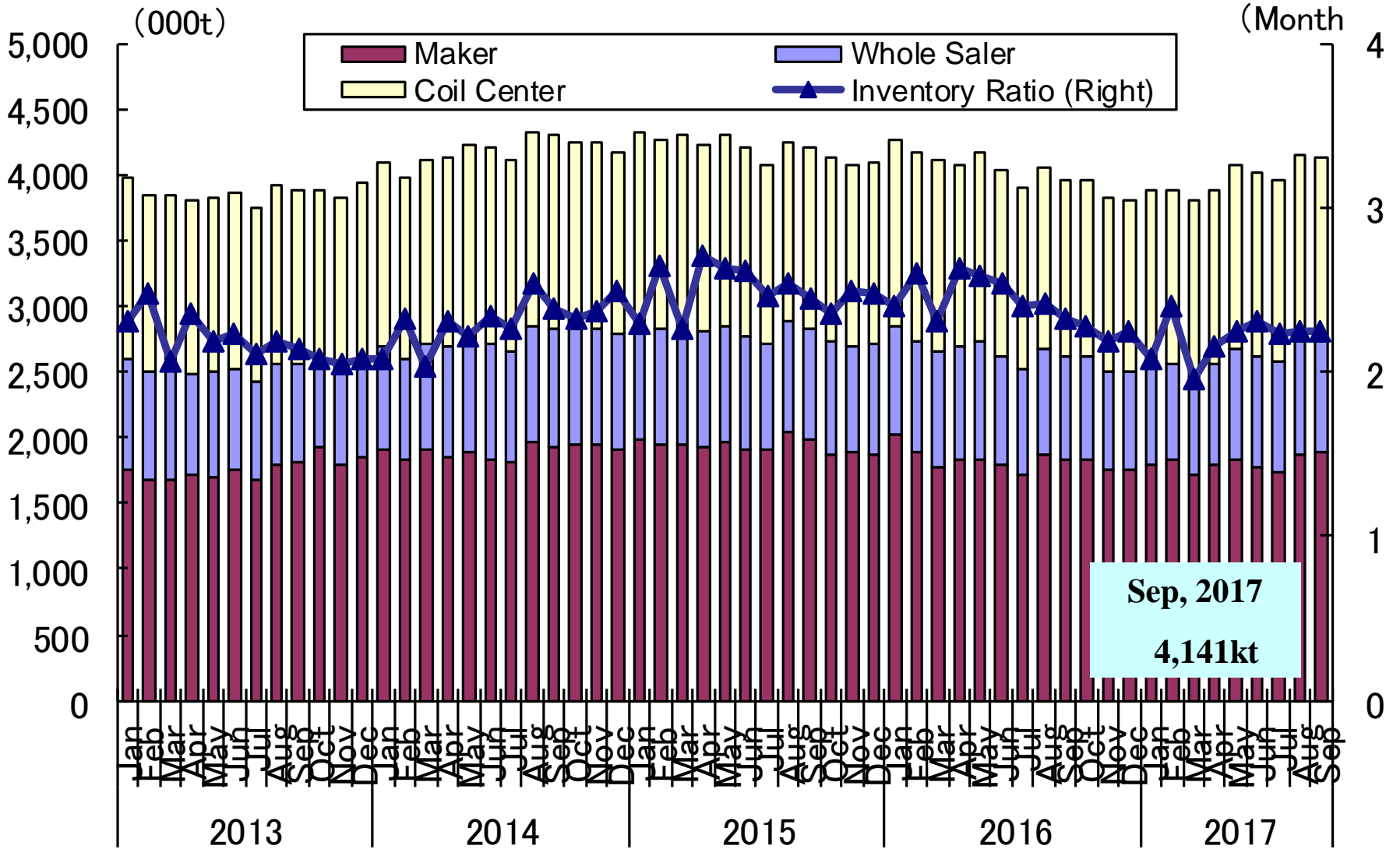




Domestic Market Environment

Combined Inventories of HR, CR and Coated Steel Sheet

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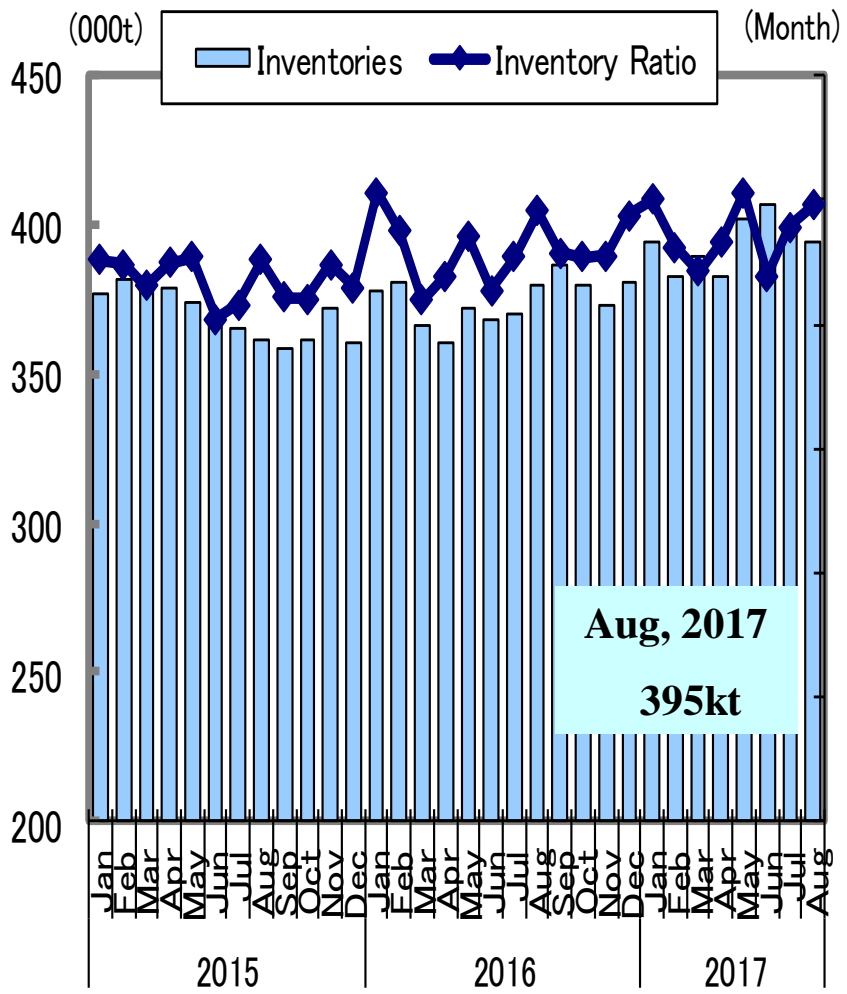




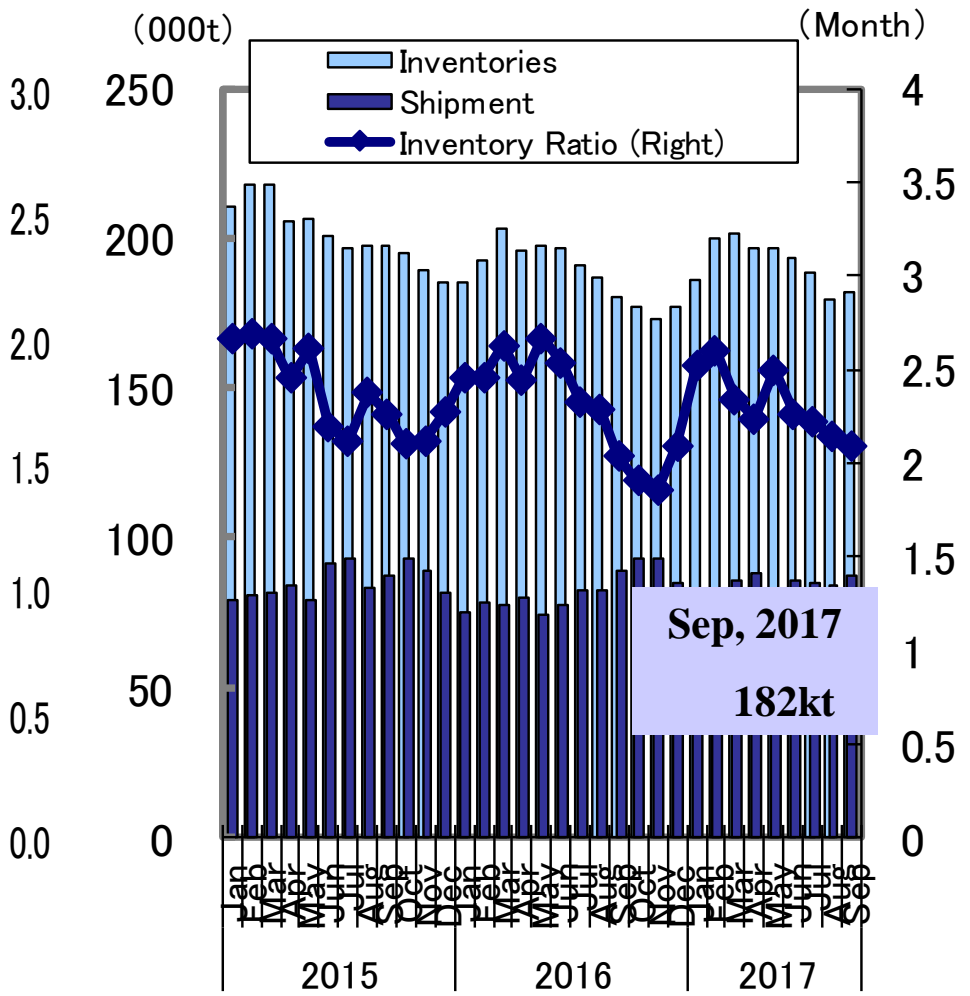
Domestic Market Environment

JFE Steel
Inventories of Plate (Plate Shear) and Wide Flange Shapes

Inventories of Plate (Plate Shear)



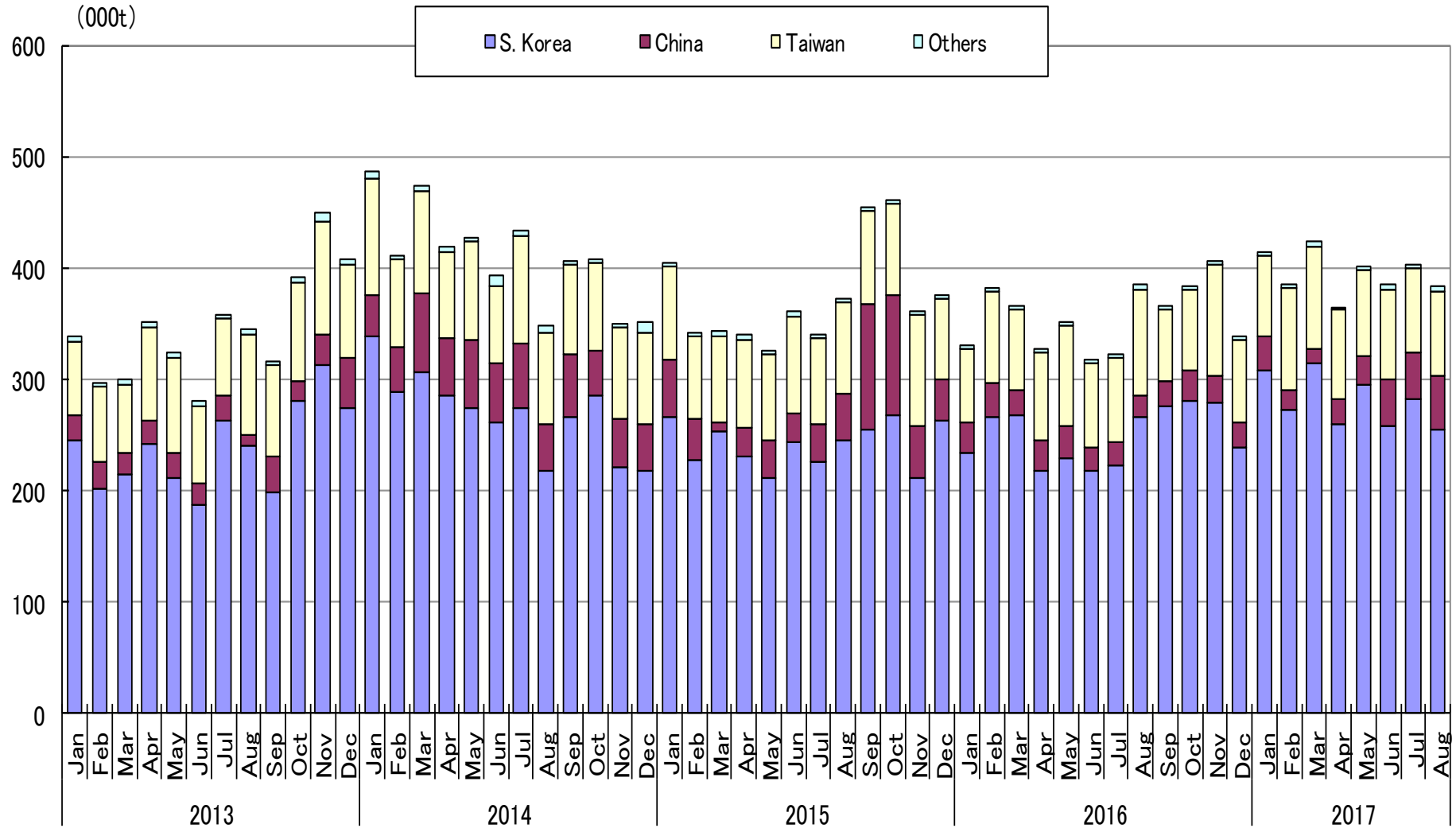
Inventories of Wide Flange Shapes





Domestic Market Environment

Trend of Import Steel (Ordinary Steel)

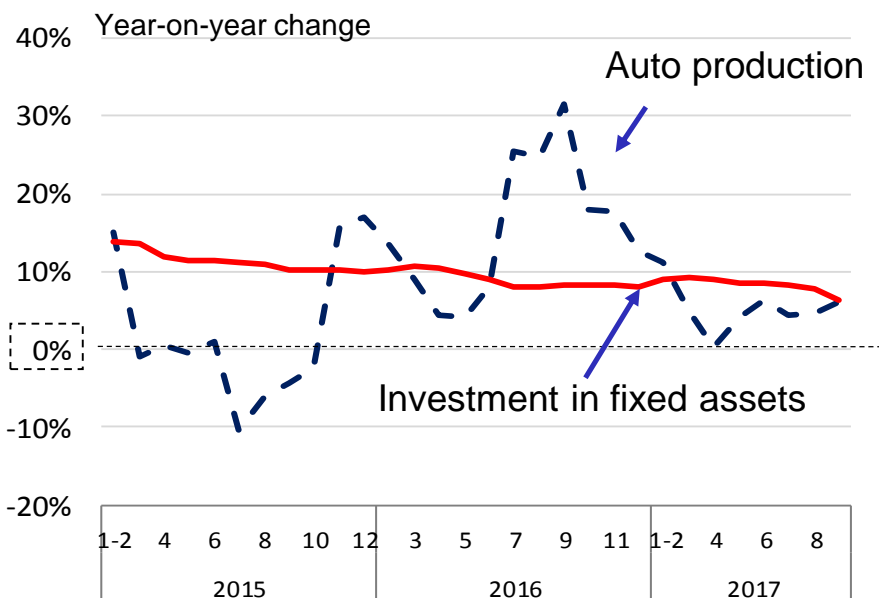


Current Business Environment (Overseas)

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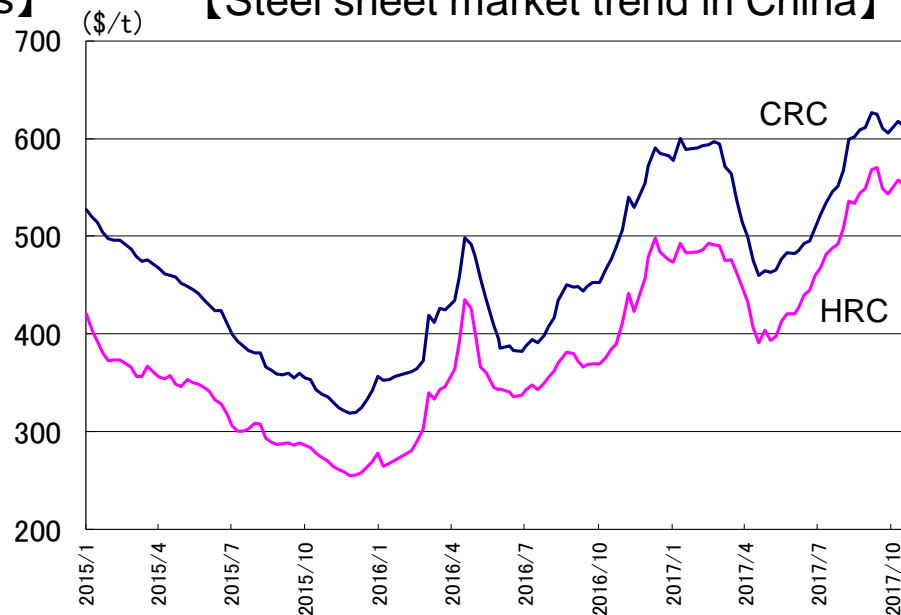
- Steel demand in China remains robust thanks to economic stimulus measures etc. Chinese apparent crude steel consumption increased by 3.9%, auto production increased by +5.2% and investment in fixed assets increased by +7.5% on a year-on-year basis in January to September period.
- Steel prices in China remains at a high level thanks to improved supply and demand balance backed by robust domestic steel demand and supply side reforms including shutdown of illegal substandard steel mills.

【Auto production and Investment in fixed assets】



Source : National Bureau of Statistics of China

【Steel sheet market trend in China】



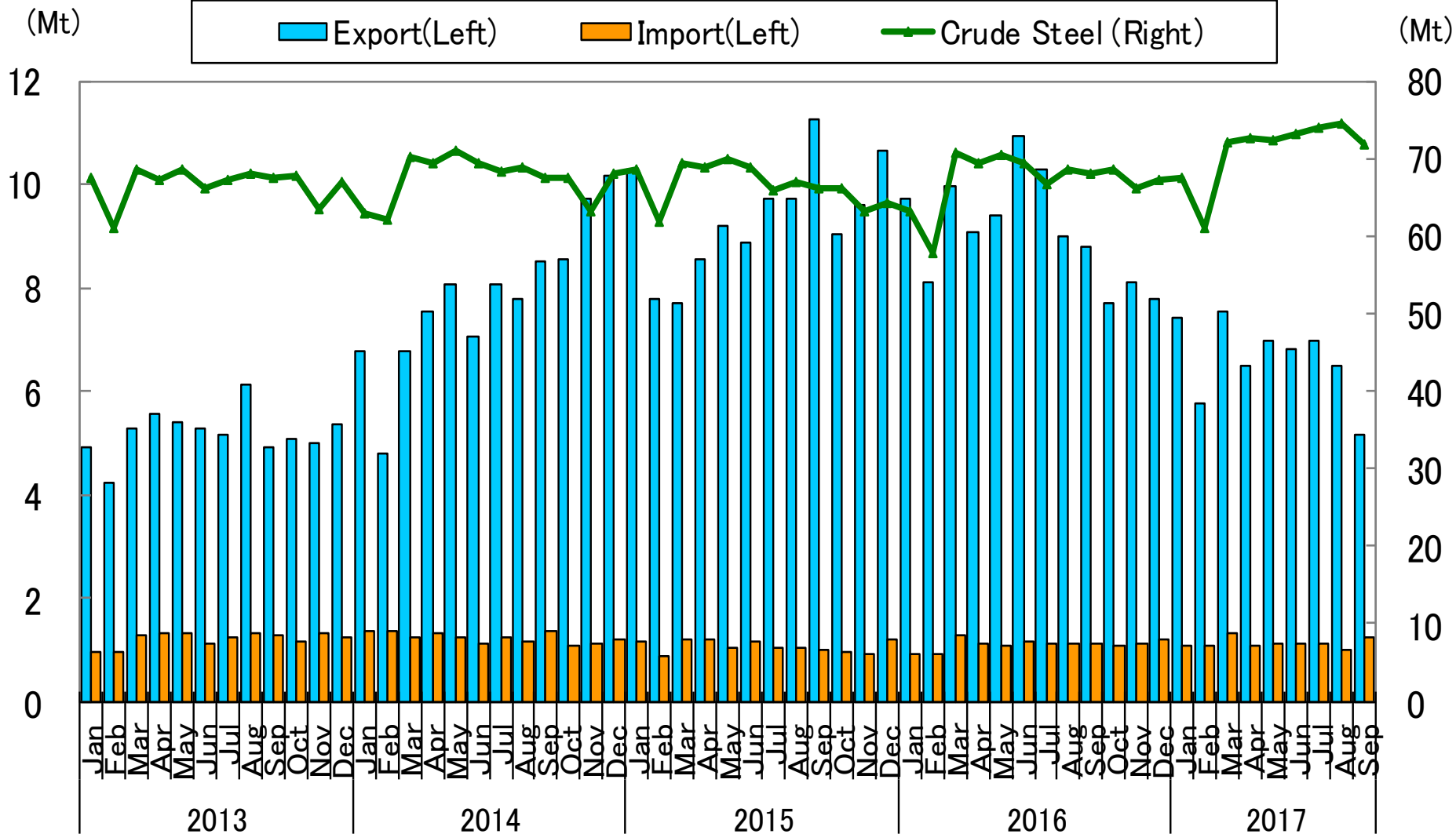
Chinese spot basis



Overseas Market Environment

Crude Steel & Im/Export, China

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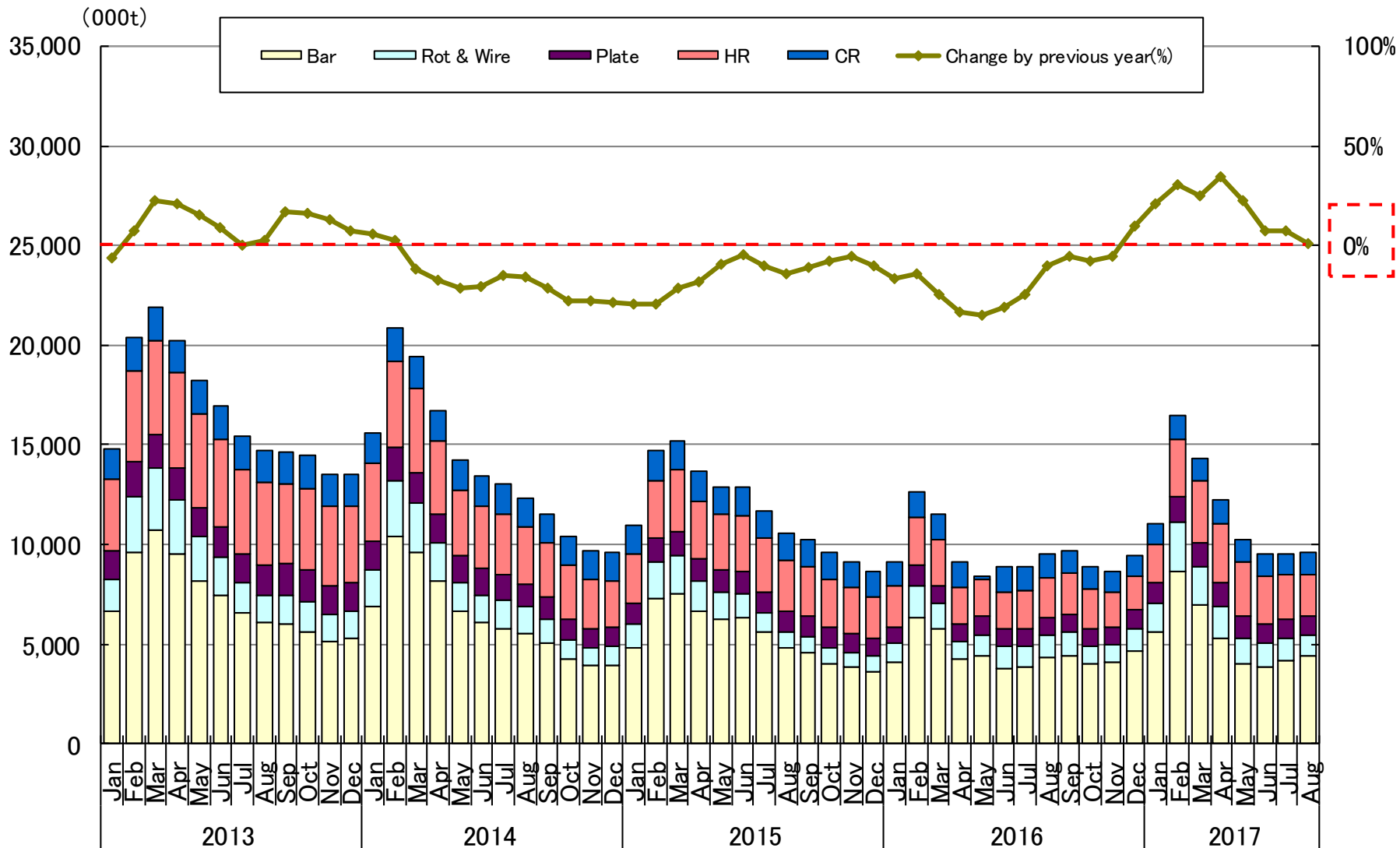


*Crude Steel in Jan and Feb: WSA's estimation



Overseas Market Environment

Inventories in China by Products

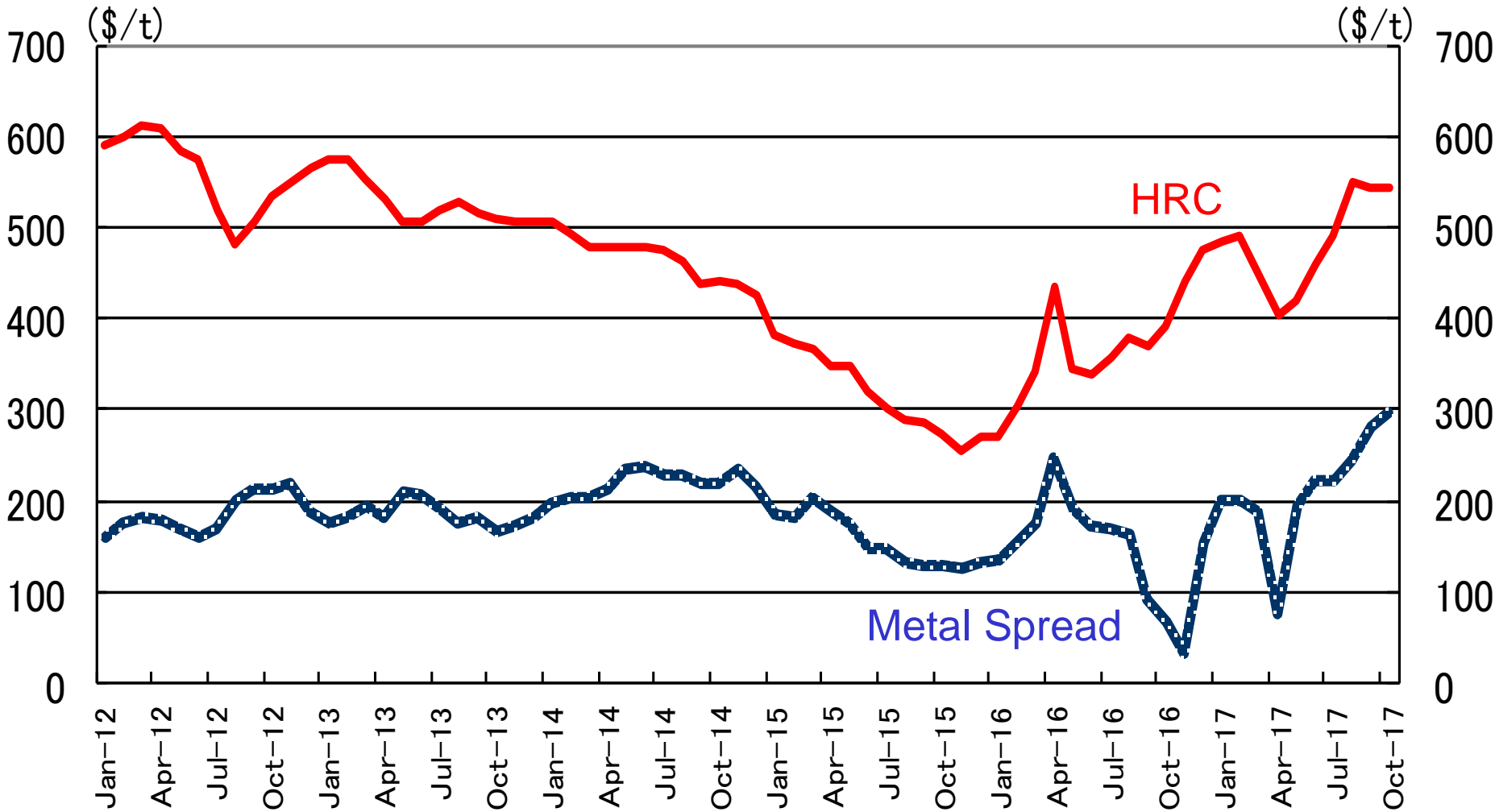




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Overseas Market Environment

Metal Spread Trend (Chinese Spot Basis)



Metal Spread = HRC Price – Raw Materials Cost

*HRC Price: Chinese Spot basis

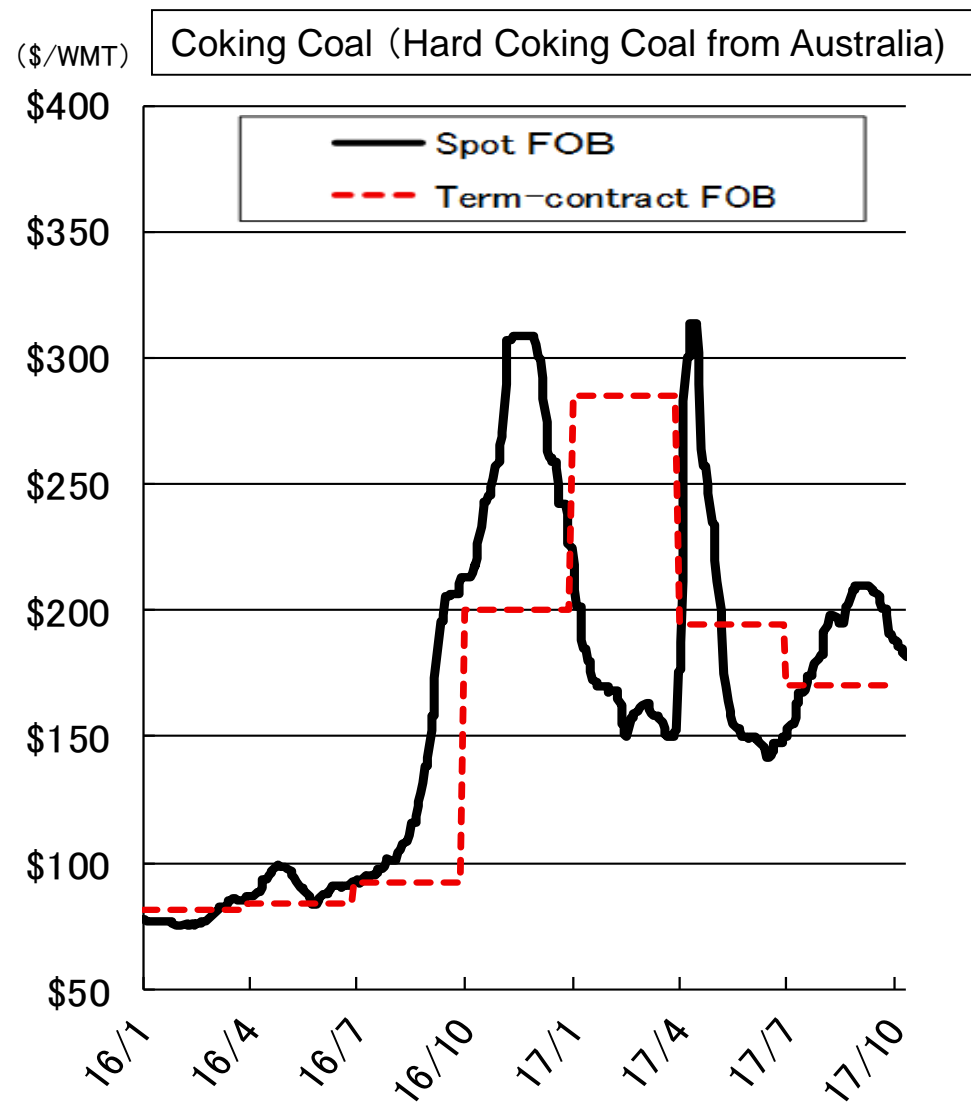
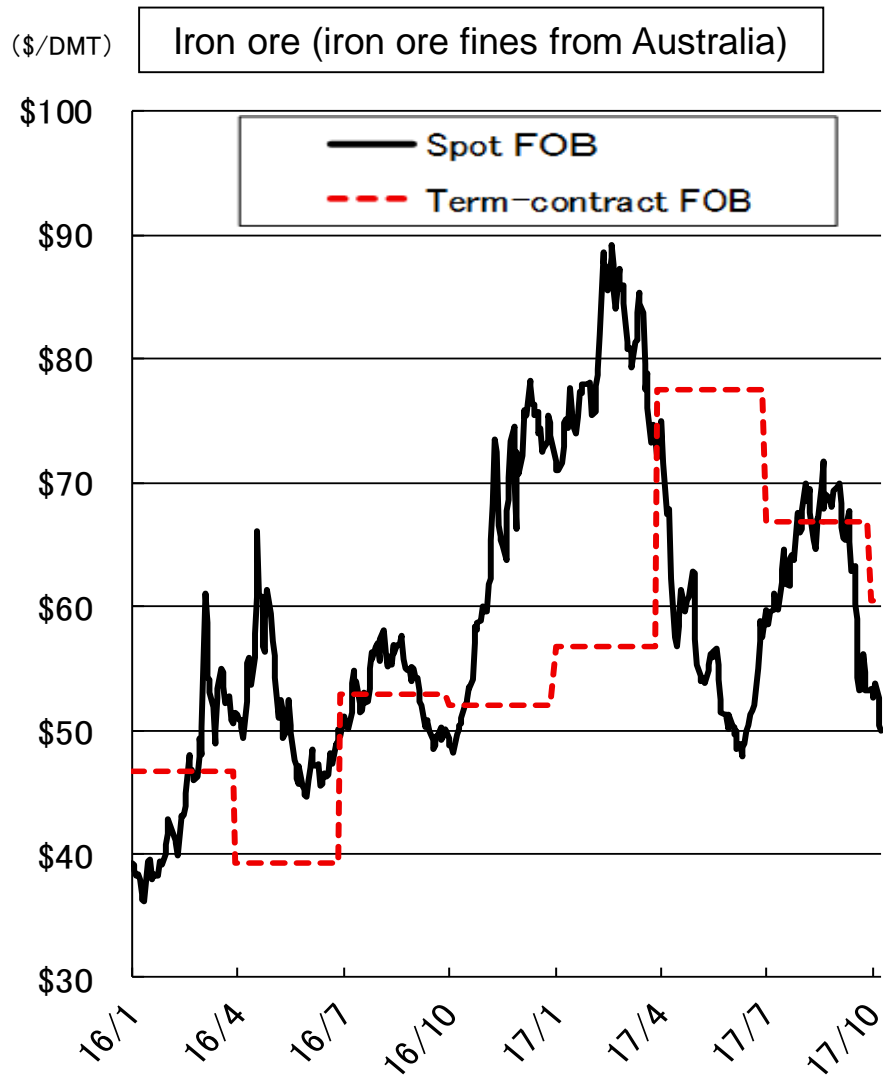
Raw Materials Cost: Calculated from market price of Iron Ore and Hard Coking Coal



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Raw Materials

Raw Materials Price



Hard Coking Coal Term-contract FOB since Apr-Jun quarter 2017
 (Apr-Jun : Mar-May spot FOB average, Jul-Sep : Jun-Aug spot FOB average) 25

Financial Forecasts for FY2017 of JFE Steel



		FY2016	FY2017				
		Full year Actual	1Q	2Q	1H	2H	Full year Forecast
			Actual	Actual	Actual	Forecast	
Net Sales	Billion Yen	2,349.1	636.4	658.3	1,294.7	1,425.3	2,720.0
Ordinary Income (ROS)	Billion Yen (%)	40.5 [1.7%]	48.6 [7.6%]	36.0 [5.5%]	84.6 [6.5%]	65.4 [4.6%]	150.0 [5.5%]

Crude Steel (Standalone)	Mt	28.14	7.12	6.98	14.10	Approx. 14.60	Approx. 28.70
Exchange rate	¥/\$	108.8	111.5	110.9	111.2	110	110

19.2 Billion Yen decrease in JFE Steel's Ordinary Income (FY17 1H (Actual) vs. FY17 2H (Forecast))



(billion yen)

JFE Steel	FY2017 (Forecast)			Change 1H→2H
	1H	2H	Full year	
Ordinary Income	84.6	65.4	150.0	(19.2)

■ Cost reductions	+	10.0
■ Volume and Mix	+	9.0
■ Sales and Raw materials	+	15.0
■ Inventory valuation	-	15.0
■ Others	-	38.2

⇒

- Increase in depreciation cost through strengthening the manufacturing base
- Increase in materials cost including ferro-alloy and refractory
- Decrease in dividends received etc.

TOTAL - 19.2

109.5 Billion Yen increase in JFE Steel's Ordinary Income (FY16 (Actual) vs. FY17 (Forecast))



(billion yen)

JFE Steel	FY16 Actual	FY17 Forecast	Change FY16→17
Ordinary Income	40.5	150.0	109.5

- Cost reductions + 45.0
- Volume and Mix + 8.0
- Sales and Raw materials + 110.0
- Inventory valuation - 25.0
- Impact of change in depreciation method + 28.0
- Others - 56.5

• Increase in materials cost including ferro-alloy and refractory
 • Increase in depreciation cost through strengthening the manufacturing base etc.

TOTAL

+ 109.5

0 Billion Yen increase in JFE Steel's Ordinary Income (FY17 (Previous Forecast) vs. FY17 (Updated Forecast))



(billion yen)

JFE Steel	FY17 Previous	FY17 Updated	Change FY17 → 17
Ordinary Income	150.0	150.0	0.0

■ Cost reductions	±	0.0	
■ Volume and Mix	-	7.0	
■ Sales and Raw materials	+	5.0	
■ Inventory valuation	+	13.0	
■ Others	-	11.0	⇒
TOTAL	±	0.0	

• Increase in materials cost including ferro-alloy and refractory etc.



Joint Venture to Launch Hot-dip Galvanized and Colored Flat Steel Products Business for the Building and Construction Sector in Myanmar

(announced on October 31, 2017)

【The aim of the business】

- ◆ The demand for flat steel products for the building and construction use has been expanding rapidly since democratization in 2011 in Myanmar.
- ◆ The need is expected to rise for locally produced high-quality products supported with technical services and short lead times.



To capture expanding demand of high-grade flat steel products for the building and construction

【Location】



【Outline of the new company: JFE MERANTI MYANMAR】

1.Total investment	USD 85 million	3.Facilities	Hot-dip Galvanizing Line 180,000 tons/year	Color Coating Line 100,000 tons / year
2.Ownership	JFE Steel :35% JFE Shoji :15% Marubeni-Itochu Steel Inc. :15% Hanwa Co. Ltd. :15% Meranti Steel Pte. Ltd. :20%	4.Operation	From 2020	



JFE Engineering

Financial Forecasts for Fiscal Year 2017



Financial Forecasts for FY17 of JFE Engineering

JFE

(billion yen)

	FY2017 (previous)		FY2017 (updated)		Change	
	1H	Full year	1H(A)	Full year	1H	Full year
Orders	240.0		222.2	500.0	(17.8)	
Net Sales	160.0		160.2	420.0	0.2	
Ordinary Income	1.5	25.0	2.5	25.0	1.0	0.0

【Change】

(Previous forecasts to the actual result of FY2017 1H)

- Orders: - 17.8 Delay of orders received
- Ordinary Income: + 1.0 Time gap of cost recorded



Financial Forecasts for FY17 of JFE Engineering

(billion yen)

	FY2016(A)		FY2017 (F)		Change	
	1H	Full year	1H(A)	Full year	1H	Full year
Orders	186.9	424.4	222.2	500.0	35.3	75.6
Net Sales	175.3	426.1	160.2	420.0	(15.1)	(6.1)
Ordinary Income	7.6	26.6	2.5	25.0	(5.1)	(1.6)

【Change(Full year)】

- Orders: + 75.6 Increase in Environment and Social Infrastructure category
- Net Sales: - 6.1 Decrease with decrease in orders of the previous year
- Ordinary Income: - 1.6 Decrease with decrease in net sales

Classification of placed orders

(billion yen)

Category	FY2016 (A)	FY2017 (F)	Change	Main Orders (FY2017 1H)
Environment	157.4	200.0	42.6	<ul style="list-style-type: none"> - Improvement works of the waste incineration plants (2 places) - Construction of the waste to energy plant in Meguro-Ward - Startup of Composite Biomass Power PFI Project in Toyohashi-City - Construction of the waste to energy plant in Lithuania
Energy	148.9	140.0	(8.9)	<ul style="list-style-type: none"> - Construction of the long distance pipeline
Social Infrastructure etc.	118.1	160.0	41.9	<ul style="list-style-type: none"> - Construction of the bridges in Urayasu-City and Kesennuma-Bay - Foundation work for installing the security facility at the runway in Haneda-Airport - Reconstruction of the container cranes in Oi-Terminal and Sakata-Port - Expansion work of the chemical plant in Singapore - Install of Ballast water management system, "Ballast Ace", for 96 ships
Total	424.4	500.0	75.6	

Startup of Japanese Largest Composite Biomass Power PFI Project

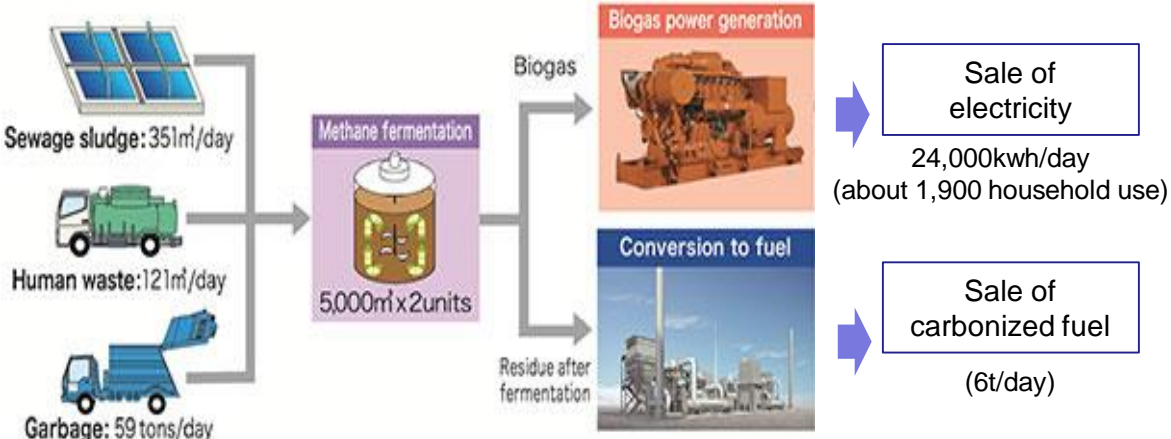
(announced on October 4, 2017)

- **Implement Design and Construction** of the plant, and **Operation and Maintenance** for a period of 20 years as a PFI project
- **Sell electricity** generated from biogas and **sell residue** as fuel for boilers

As an advanced model of scheme and plant realizing complete energy conversion, JFE Engineering will actively propose the model to local governments.

【Waste Treatment flow】

JFE's original technique and products in methane fermentation and power generation plant enables to realize complete energy conversion



【Outline of project】

Location	Toyohashi-City, Aichi-Pref.
Amount of Order	approx. 14.8 billion yen (EPC and O&M)
Client	Toyohashi Bio Will K.K. [Investment ratio] JFE Engineering Corporation (60%) Kajima Corporation etc. (40%)



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JFE Shoji

Financial Forecasts for Fiscal Year 2017

Financial Forecasts for FY2017 of JFE Shoji

(billion yen)

	FY2017 (Previous forecast)		FY2017 (Updated forecast)		Change	
	1H(F)	Full year	1H (A)	Full year	1H	Full year
Net Sales	905.0		916.2	1,830.0	11.2	
Ordinary Income	15.0	28.0	16.2	29.0	1.2	1.0

【Ordinary Income Change(1H)】

- Increase mainly with sales price increase.

Financial Forecasts for FY2017 of JFE Shoji



(billion yen)

	FY2016 (A)		FY2017 (F)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Net Sales	775.8	1,671.0	916.2	1,830.0	140.4	159.0
Ordinary Income	7.6	21.8	16.2	29.0	8.6	7.2

【Ordinary Income Change (Full year)】

- Increase with improvement in profitability of foreign subsidiaries and sales price increase.



Net Sales of JFE Shoji (by Segment)

(billion yen)

		FY2016 (A)		FY2017 (F)		Change	
Domestic Business		880.5		978.0		97.5	
Overseas Business	Export	383.4	638.3	456.0	703.0	72.6	64.7
	Foreign Operation	254.9		247.0		(7.9)	
Raw Materials, Equipment etc.		152.2		149.0		(3.2)	
TOTAL		1,671.0		1,830.0		159.0	



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JFE Holdings

Financial Forecasts

for Fiscal Year 2017

Financial Forecasts for Fiscal Year 2017



JFE

(billion yen)

	FY2016 (A)		FY2017 (F)		Change	
	1H	Full year	1H (A)	Full year	1H	Full year
Net Sales	1,499.5	3,308.9	1,725.3	3,650.0	225.8	341.1
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Non-operating Income (Expenses)	(14.1)	(12.0)	4.9	(10.0)	19.0	2.0
Ordinary Income (Loss)	(10.1)	84.7	101.4	200.0	111.5	115.3
Extraordinary Profit	3.5	20.7	19.3	20.0	15.8	(0.7)
Profit (Loss) before Income Taxes	(6.5)	105.4	120.7	220.0	127.2	114.6
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(1.8)	(37.5)	(33.7)	(70.0)	(31.9)	(32.5)
Profit (Loss) Attributable to Owners of Parent	(8.4)	67.9	87.0	150.0	95.4	82.1
ROS(*)	(0.7%)	2.6%	5.9%	5.5%	6.6%	2.9%

*Return on Sales: Ordinary Income / Net Sales

Underlying Profit before One-off Effects



(billion yen)

	FY15 Actual	FY16 Actual	FY17	
			1H Actual	Forecast
Net Sales	3,431.7	3,308.9	1,725.3	3,650.0
Ordinary Income	64.2	84.7	101.4	200.0
ROS(*)	1.9%	2.6%	5.9%	5.5%
One-off Effects	(78.0)	28.0	9.0	3.0

Underlying Profit before One-off Effects	142.2	56.7	92.4	197.0
ROS(*)	4.1%	1.7%	5.4%	5.4%

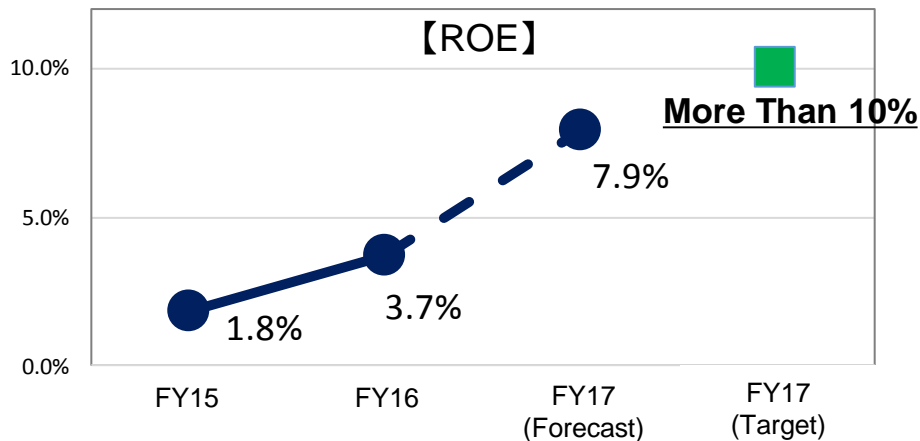
*Return on Sales: Ordinary Income / Net Sales



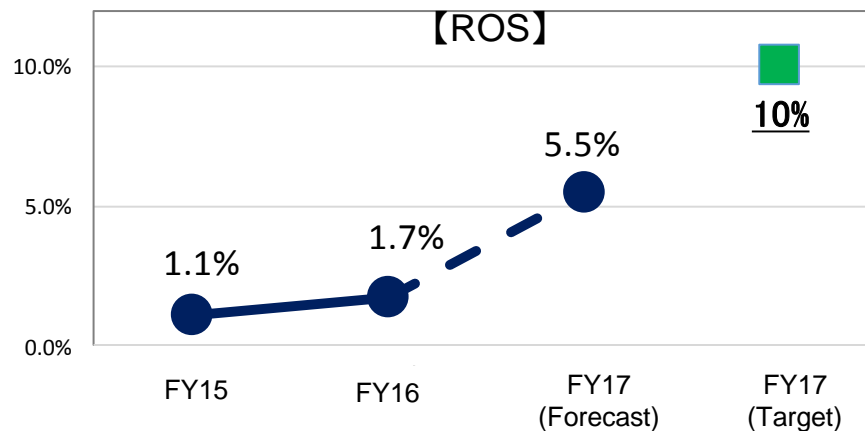
Trend of Main Indices ①

(Comparison with the Target of Fifth Medium-Term Business Plan)

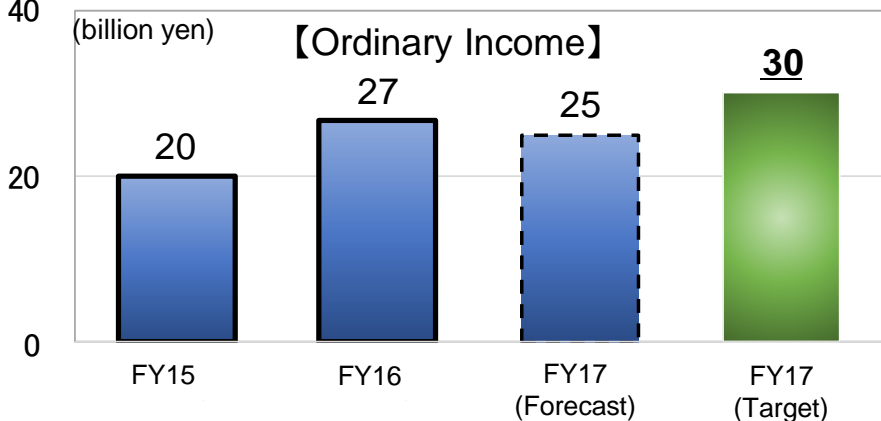
JFE Holdings



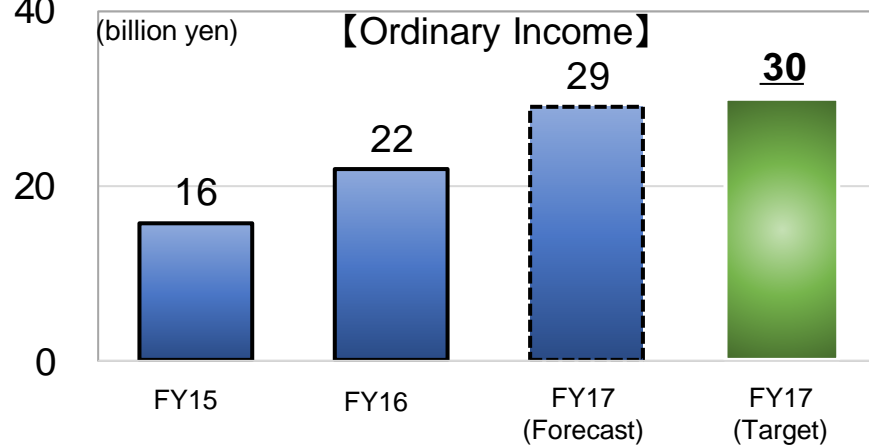
JFE Steel



JFE Engineering



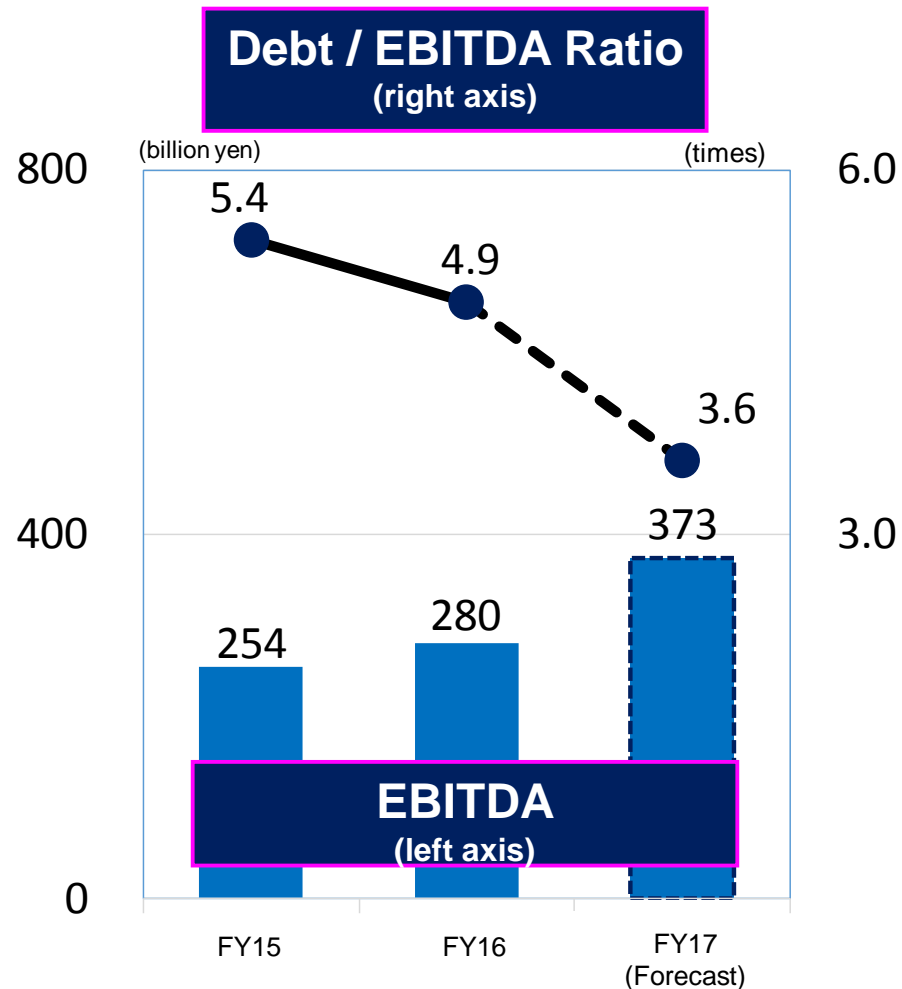
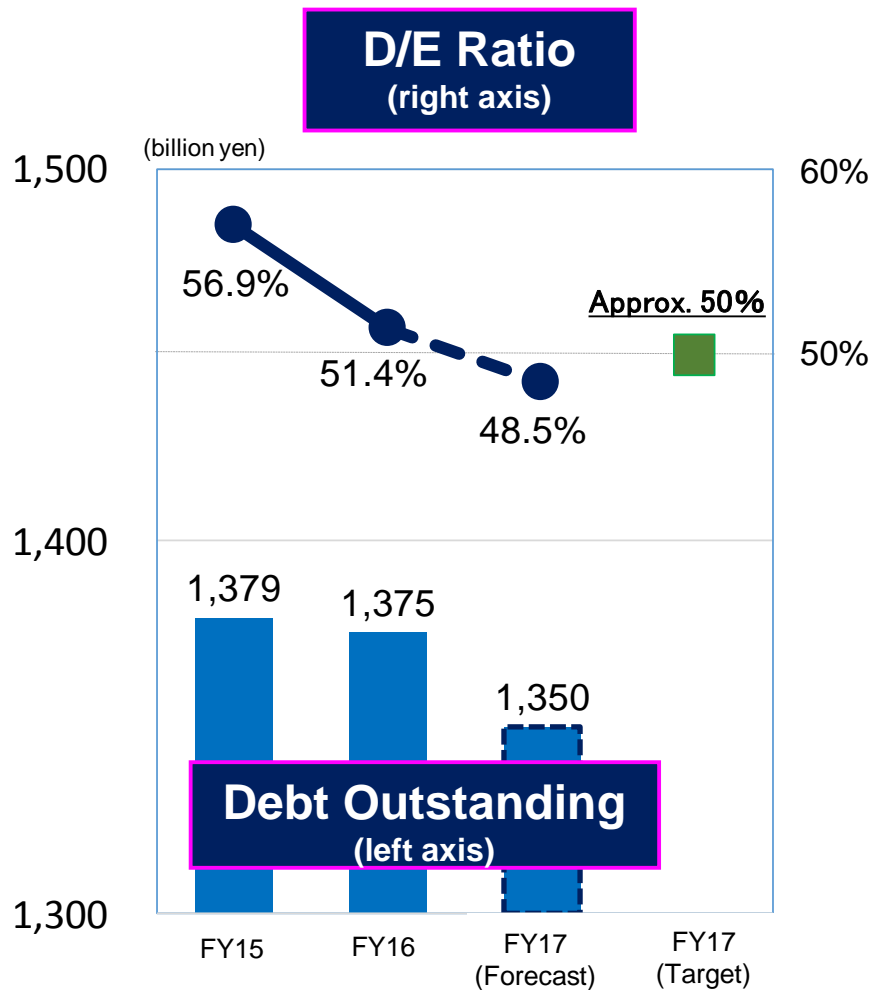
JFE Shoji





Trend of Main Indices ②

(Comparison with the Target of Fifth Medium-Term Business Plan)



■ D/E ratio = Debt outstanding / Shareholders' equity.
Debt having a capital component is deemed to be capital, as assessed by rating agencies.

■ EBITDA = Ordinary income + Interest expense + Depreciation and Amortization

Cash Flow Forecasts of FY2017

(billion yen)

Source		Usage	
Net Income	150	Dividends	35
		Working Capital etc.	40
		Capex, Investments	280
Depreciation	160		
Asset Sales	70		
		Repayment of Debt	25
	380		380

Dividends



Dividends

- JFE Holdings' board of directors has decided to pay an interim dividend of 30 yen per share.
- The company is withholding its decision regarding the year-end dividend to carefully observe performance going forward.

Appendix



Main Financial Data

JFE

(Forecast)

	FY03	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
(bn. Yen)												
Ordinary Income	218.3	502.9	400.5	69.2	165.8	52.9	52.2	173.6	231.0	64.2	84.7	200.0
EBITDA ※1	432.3	741.4	670.8	337.1	428.9	306.3	260.6	368.9	421.5	254.4	279.9	373.0
ROS ※2	8.8%	14.2%	10.2%	2.4%	5.2%	1.7%	1.6%	4.7%	6.0%	1.9%	2.6%	5.5%
ROE ※3	15.9%	17.5%	13.7%	3.3%	4.1%	-2.6%	2.7%	6.3%	7.7%	1.8%	3.7%	7.9%
ROA ※4	6.5%	13.0%	10.0%	2.2%	4.6%	1.7%	1.6%	4.5%	5.5%	1.7%	2.3%	4.9%
Debt Outstanding	1,837	1,281	1,768	1,468	1,496	1,593	1,596	1,534	1,501	1,379	1,375	1,350
D/E Ratio ※5	246.2%	61.4%	98.9%	75.5%	76.5%	83.5%	76.9%	67.9%	59.0%	56.9%	51.4%	48.5%
Profit attributable to owners of parent (yen/share)	185.8	450.5	355.6	86.3	110.7	-68.7	71.2	177.4	241.6	58.4	117.8	260.1
Dividend (yen/share)	30	120	90	20	35	20	20	40	60	30	30	(*) 30
Pay-out Ratio	16.1%	26.6%	25.3%	23.2%	31.6%	—	28.1%	22.5%	24.8%	51.4%	25.5%	—

※1 EBITDA = Ordinary income + Interest expense + Depreciation and Amortization

(*)Interim dividend

※2 ROS = Ordinary income / Net sales

※3 ROE = Profit attributable to owners of parent / Shareholders' equity

※4 ROA = Ordinary income before interest expense / Total assets (average),

※5 D/E ratio = Debt outstanding / Shareholders' equity. Debt having a capital component is deemed to be capital, as assessed by rating agencies.

*Debt having a capital component (subordinated borrowings)

Borrowing Execution Date	Amount Borrowed	Assessment of Equity Content	Amount Deemed to be Capital
March 18, 2013	300.0 billion yen	75%	225.0 billion yen
June 30, 2016	200.0 billion yen	25%	50.0 billion yen

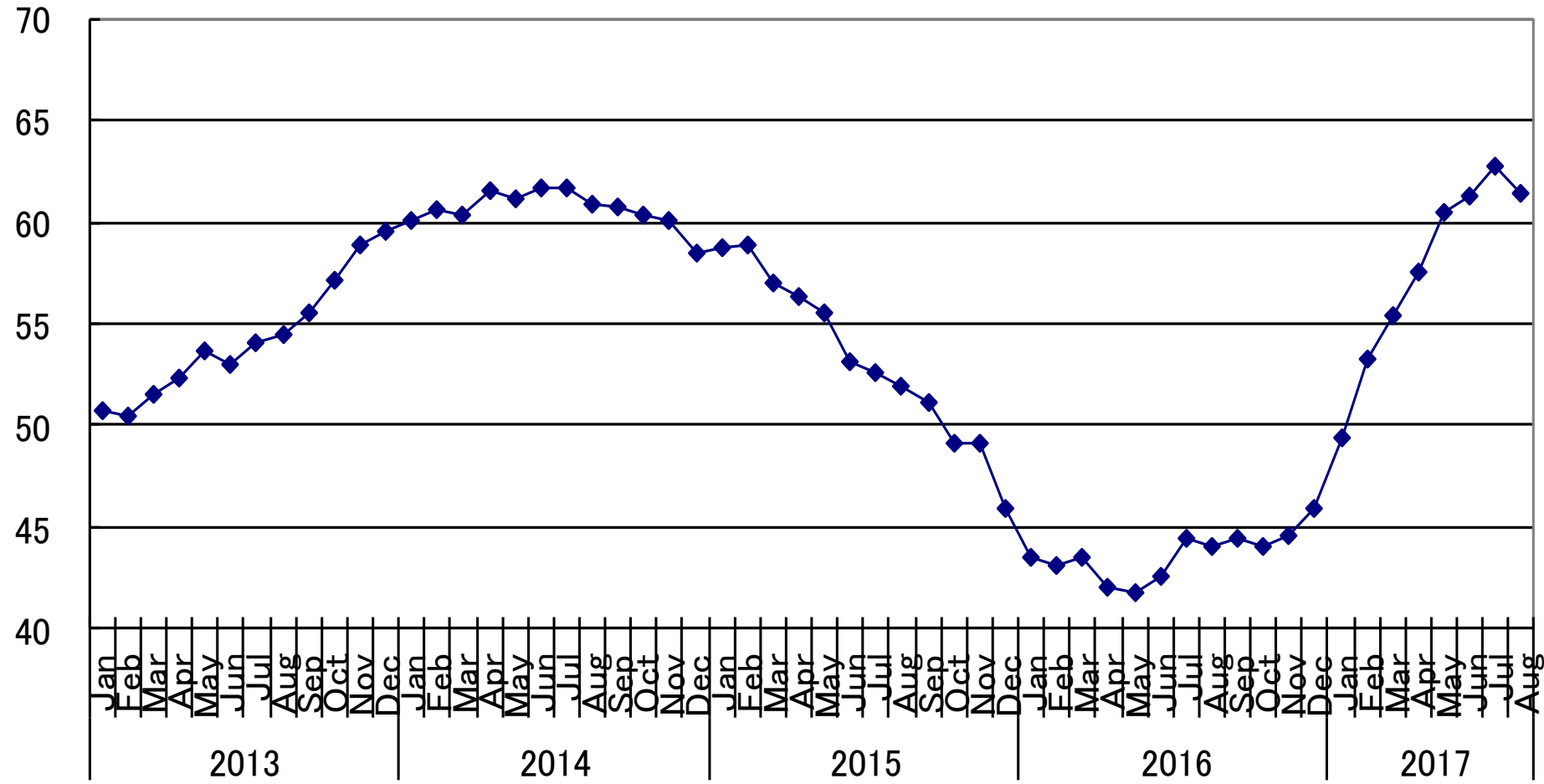


JFE

Domestic Market Environment

Price Trend of Import Steel

(000 yen/ton)



Data: Japanese Steel Association

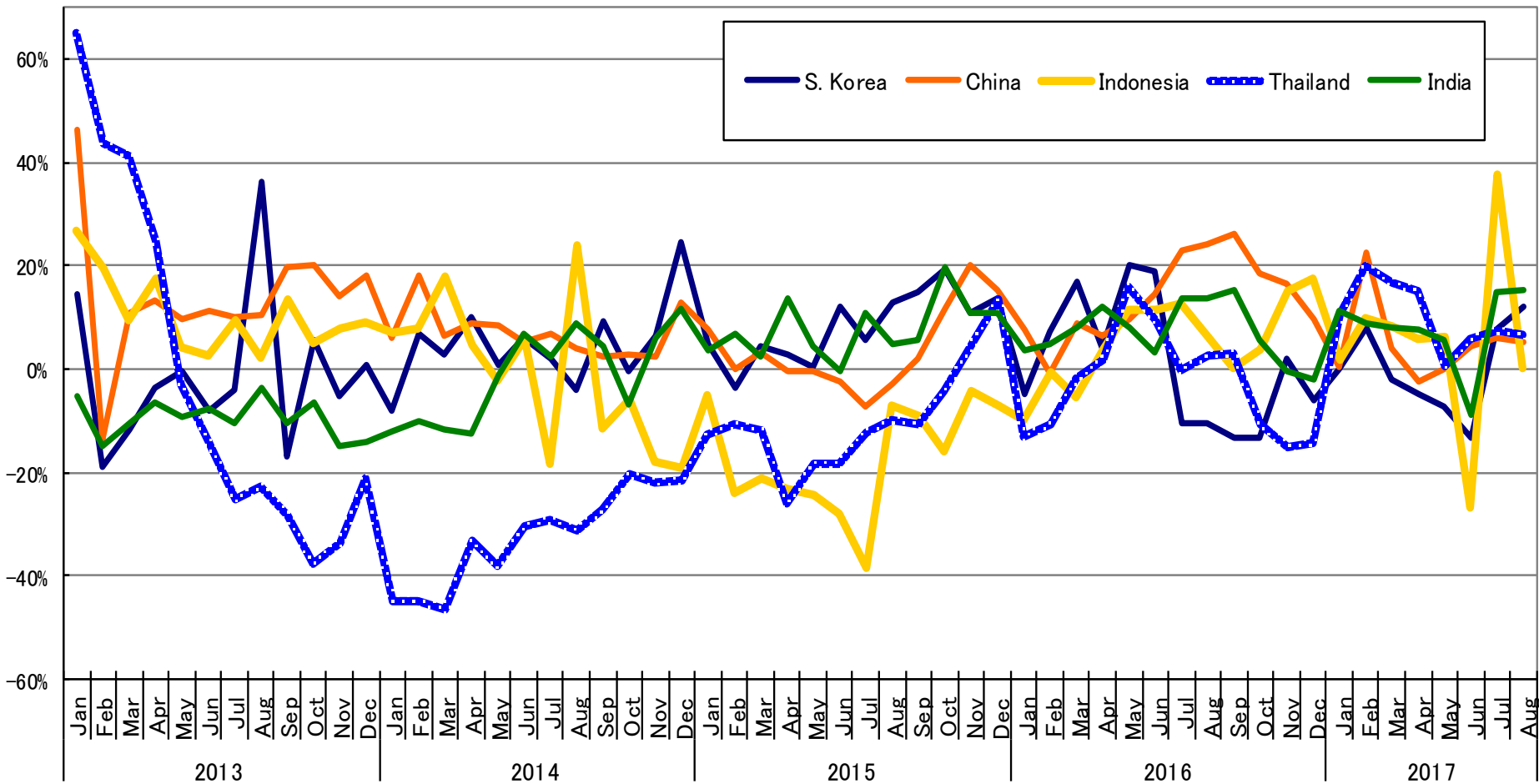
Import Steel from S. Korea



Overseas Market Environment

Auto Sales in Key Countries

Automobile Sales in Key Countries (YoY Change)

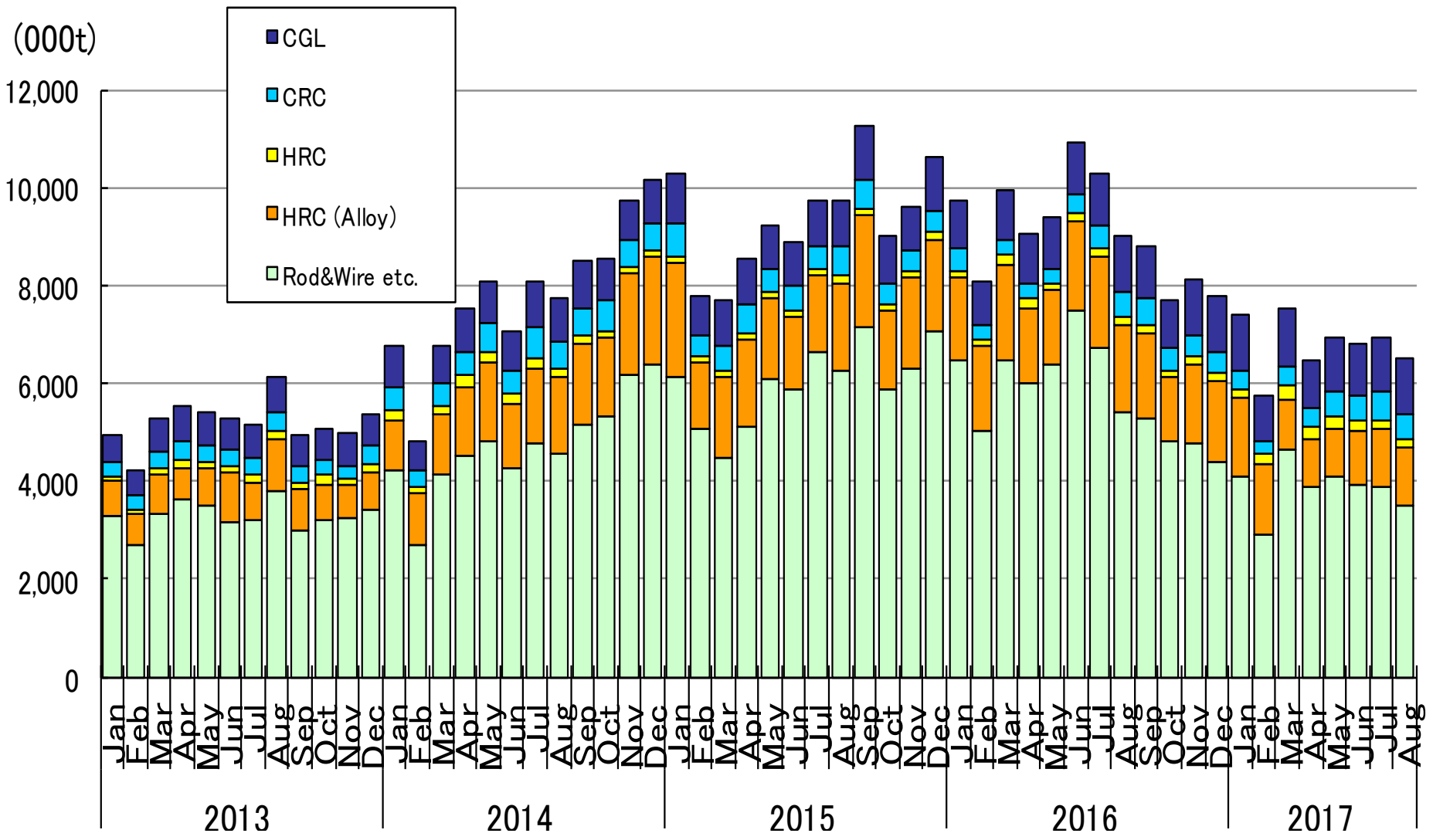




Overseas Market Environment

Exports from China by Products

JFE



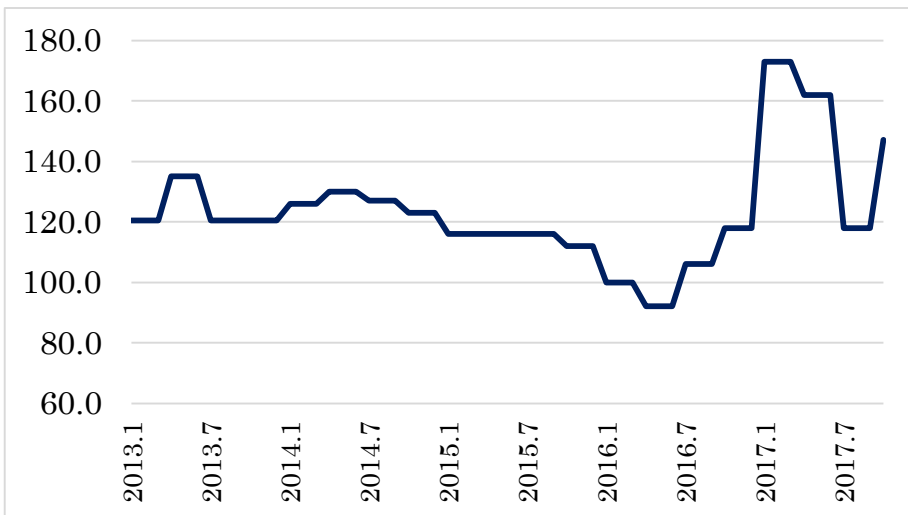


Raw Materials

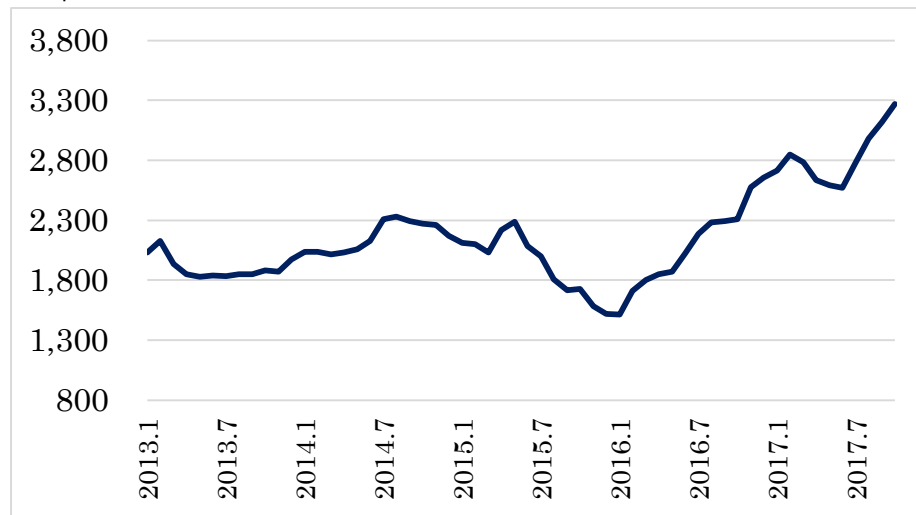
Trend of Metals' Market Price

JFE

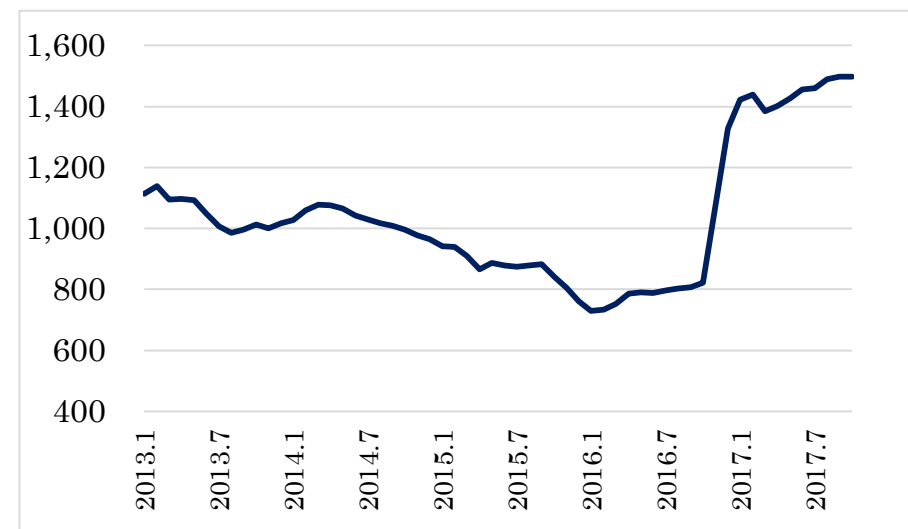
(¢/lb) FeCr



(US\$/t) Zn



(US\$/t) FeMn



(US\$/lb) Mo



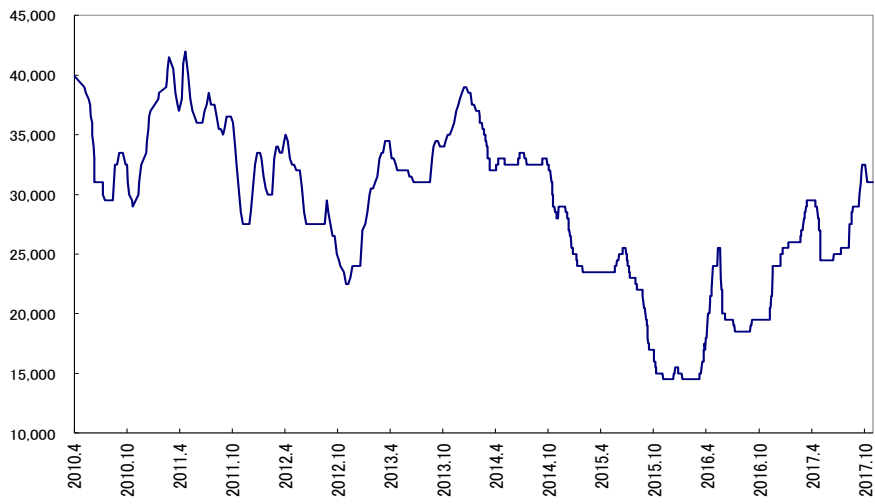


Raw Materials

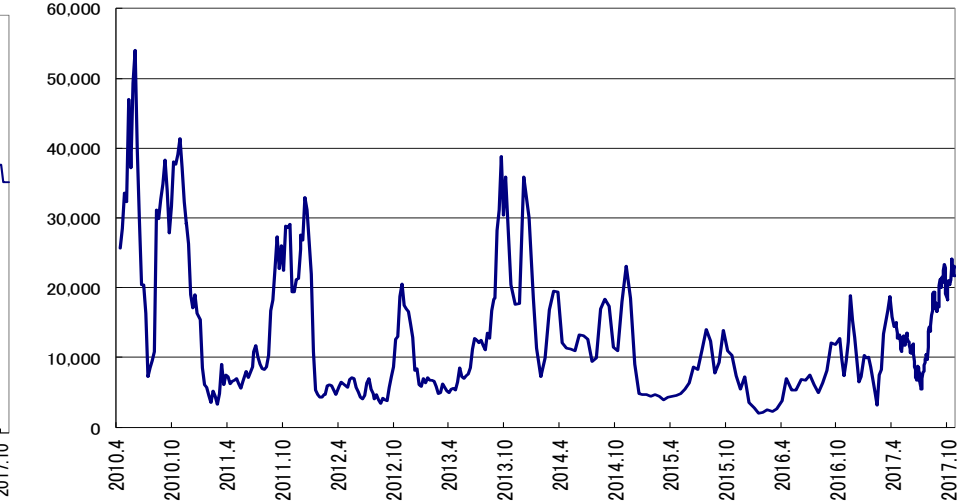
Trend of Market Price

JFE

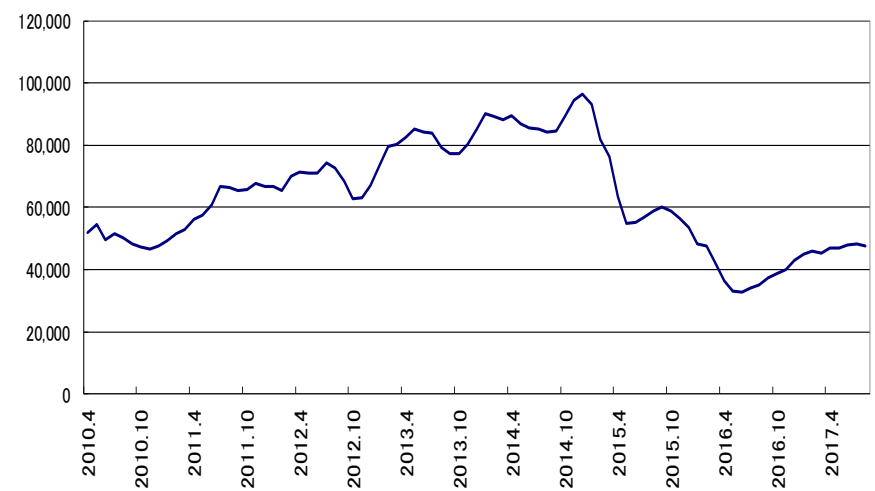
(yen/t) Scrap



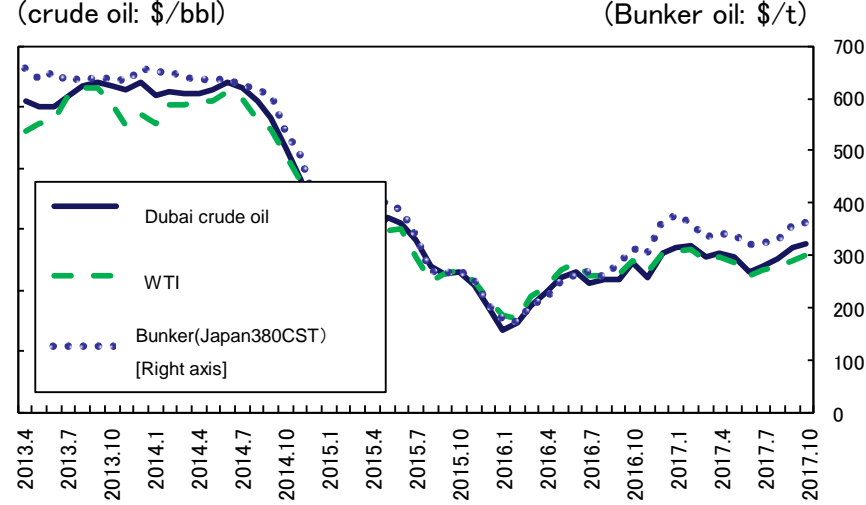
(\$/day) Spot Bulker



(yen/t) LNG Price



Oil

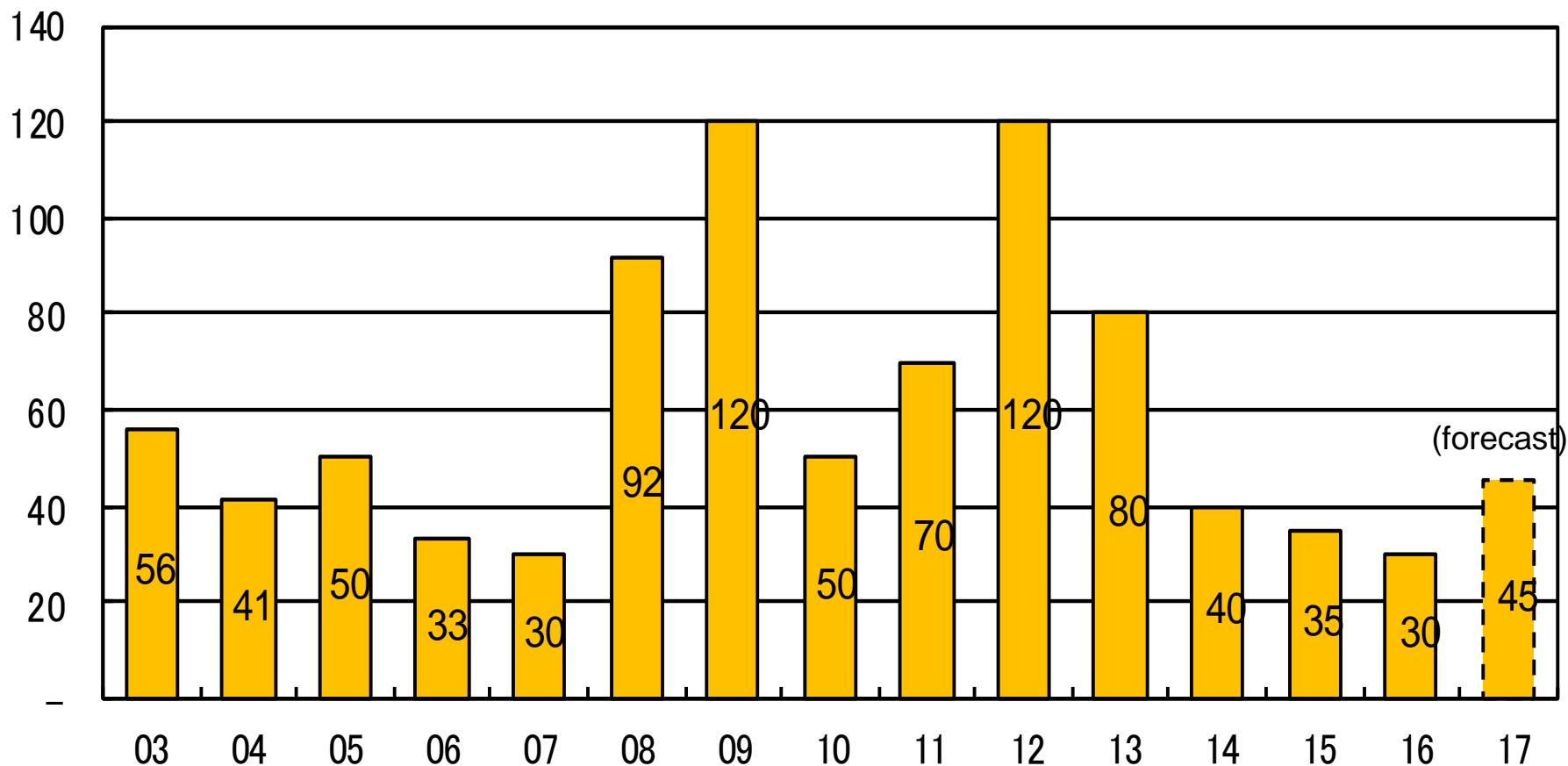


Cost Reductions (Steel Business)



JFE

(billion yen)

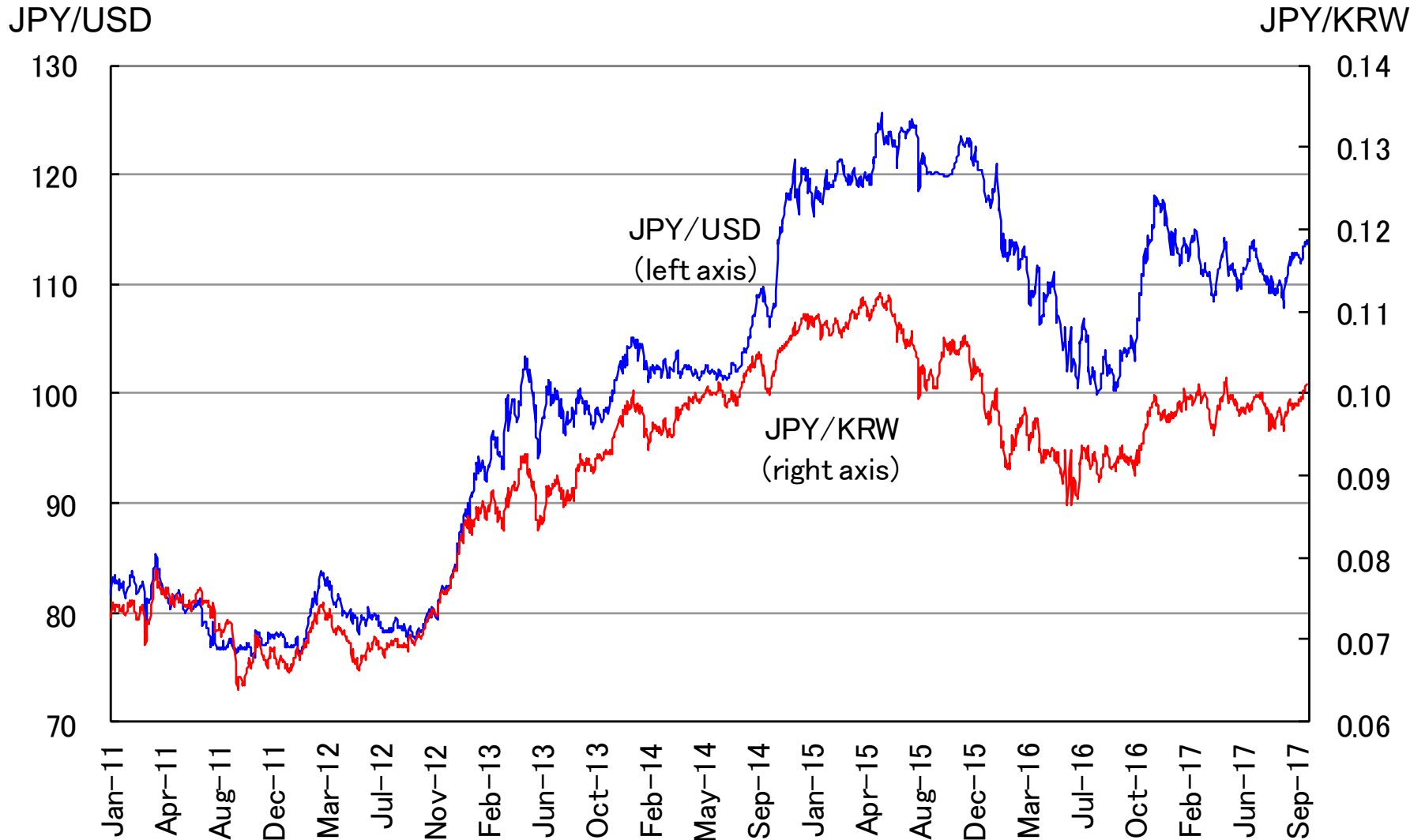


JFE Steel (non-consolidated basis)



JFE

Trend of exchange rate (against USD,KRW)



12.6 Billion Yen decrease in JFE Steel's Ordinary Income (FY17 1Q (Actual) vs. FY17 2Q (Actual))



(billion yen)

JFE Steel	FY2017			Change 1Q → 2Q
	1Q	2Q	1H	
Ordinary Income	48.6	36.0	84.6	(12.6)

■ Cost reductions	±	0.0
■ Volume and Mix	—	3.0
■ Sales and Raw materials	+	20.0
■ Inventory valuation	—	17.0
■ Others	—	12.6

⇒

- Increase in depreciation cost through strengthening the manufacturing base etc.
- Decrease in dividends received etc.

TOTAL — 12.6

109.0 Billion Yen Increase in JFE Steel's Ordinary Income (FY16 1H (Actual) vs. FY17 1H (Actual))



JFE Steel	FY2016		(billion yen)		Change 1H → 1H
	1H	2H	FY2017 1H		
Ordinary Income	(24.4)	64.9	40.5	84.6	109.0

- Cost reductions + 20.0
- Volume and Mix + 7.0
- Sales and Raw materials + 15.0
- Inventory valuation + 57.0
- Impact of change in depreciation method + 11.0
- Others - 1.0

TOTAL

+ 109.0

Progress of Fifth Medium-Term Business Plan



Progress of Strengthening Domestic Manufacturing Base

JFE

Domestic capital investments of 650 billion yen are in progress

(adopted more than 70% planned by FY16)

<Progress of main items>

			Fifth Medium-Term					
Process	Area	Facility	FY14	FY15	FY16	FY17	FY18	FY19
Upper Stream	Kura-Shiki	No.3 Coke oven	Jan. 2016					
	Kura-Shiki	No.2 Coke oven		Mar. 2017		Became self-sufficient in West Japan Works		
	Chiba	No.6A Coke oven	Oct. 2016					
	Chiba	No.6B Coke oven		1H FY2018 (scheduled)	To be self-sufficient in East Japan Works			
	Fuku-yama	No.3 Sintering plant			FY2019 (scheduled)			
Hot Strip Mill	Kura-Shiki	No.5 Reheating furnace		Mar. 2017		Improved production capacity 400⇒500 thousand ton/month		
Energy	Chiba	No.4 West Power plant	Jul. 2015					
	Keihin	No.1 Ogishima Thermal power plant		2H FY2019 (scheduled)				
System	Renovation of the core system of steel works			2H FY2018 (scheduled)				

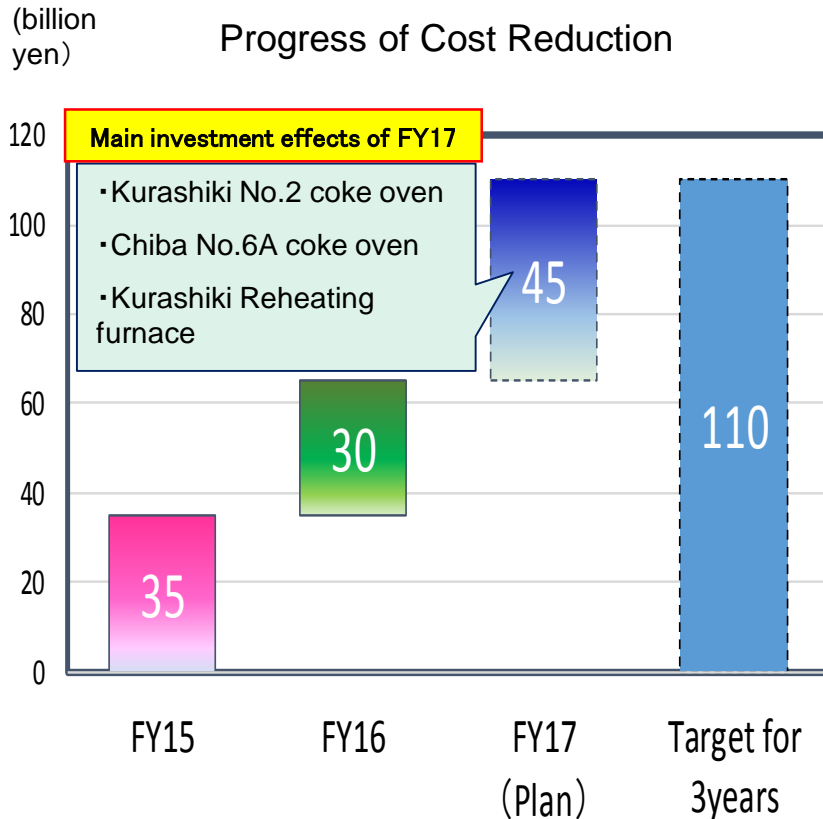
In addition, continual intensive maintenance program of manufacturing facilities has been underway.

finished scheduled



Progress of Cost Reduction

Achieve 110billion yen cost reduction for 3 years as planned



Main items of investment effects

Renovation of coke ovens

- Improve self-sufficiency rate of coke used
- Reduce energy cost by increasing by-product gas recovered

Kurashiki No.5 reheating furnace

- Improve production volume of Hot strip mill (400⇒500 thousand ton/month in Kurashiki)
- Improve product mix
- Improve energy efficiency +10%-20%

Renewal of power plant

- Enhance energy-saving through using high efficiency generating system

[New Fukuyama No.3 sintering plant] To be operational in FY2019 (scheduled) announced on march 30, 2017

- ◆ Cost reduction by enhancing the sintering plant capacity (more than +30% production volume as compared with before in Fukuyama)
 - To reduce pellet purchasing from outside
 - To reduce coke used through stable operation of blast furnace by expanding use of sinter



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Progress of Overseas Business

-Strengthen business in prioritized field especially in auto sector
 -Pursue growth investment from a middle- & long-term perspective

Prioritized Business Field	Asia			NAFTA	MENA
	China	Southeast Asia	Southwest Asia		
Automobiles Adopt for global procurement	•GJSS (CGL) •JJP (automotive pipe) •BJCMX (Iron powder)	•JSJT (Thailand CGL) •JSGI (Indonesia CGL)	•JSW (India)	•NJSM (Mexico CGL) •AK Steel (USA)	•Held ground-breaking ceremony in June 2017 •To start operation in 2019
Energy Localization in demand region	•BHNK	•JFE-TC (Singapore) JV with "Baowu Steel" To start operation in 2018		•CSI (USA) •Benoit (USA)	•AL GHARBIA (UAE Linepipe)
Infrastructure Target in growing Asia	To start operation in 2020	(Vietnam) •J-Spiral (Steel pipe pile) •A&J (Building material processing) •GECOSS VN (Lease of steel for temporary works) (Myanmar) •JFE Meranti (flat steel for building and construction)		To start operation in 2018	•Kandil (Egypt CRM CGL)
Overseas BF Aiming JFE Brand 40 million tons	No.1 blast furnace started operation in May 2017	•Formosa Ha Tinh Steel (FHS)			

Prioritized region of the fifth medium-term



JFE