

# JFE Holdings' Financial Results in First Half of Fiscal Year 2015 Ending March 31, 2016

— 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 29, 2015

Official name: Listings: Code: English URL: Representative: Contact:  Phone: Scheduled date to submit Quarterly Securities Report: Dividend payment starting date: Preparation of supplementary materials for quarterly results: Quarterly results briefing:	JFE Holdings, Inc. Tokyo and Nagoya stock exchanges 5411 www.jfe-holdings.co.jp/en Eiji Hayashida, President and CEO Moriyoshi Hara, Manager, Public Relations Section Investor Relations and Corporate Communications Department +81-3-3597-3842 November 4, 2015 November 30, 2015 Yes Yes
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(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Results in First Half of Fiscal 2015 (April 1 to September 30, 2015)

### (1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)	Net income per share [fully diluted] (yen)
1H FY 2015	1,713,224	(7.3)	49,461	(39.8)	48,389	(47.4)	29,928	(42.8)	51.89	-
1H FY 2014	1,848,057	6.9	82,105	39.1	91,971	23.6	52,352	9.5	90.75	-

Note: Comprehensive income: 23,054 million yen in 1H FY 2015 (-)  
89,545 million yen in 1H FY 2014 (down 17.6%)

### (2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)	Net assets per share (yen)
End 1H FY 2015	4,411,043	1,944,177	42.9	3,279.32
End FY 2014	4,639,412	1,990,023	41.8	3,362.22

Note: Shareholders' equity: 1,891,492 million yen as of September 30, 2015  
1,938,938 million yen as of March 31, 2015

## 2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2014	60.00	20.00	40.00
FY 2015 (estimate)	-	20.00	-

Note: Revisions to dividend forecast announced most recently: No

## 3. Forecasts of Consolidated Financial Results in Fiscal 2015 (April 1, 2015 to March 31, 2016)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)
1H FY 2015	3,660,000	(4.9)	120,000	(46.1)	100,000	(56.7)	50,000	(64.1)	86.69

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

## Notes

1. Significant changes in subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No
2. Application of special accounting methods in the preparation of quarterly consolidated financial statements: No
3. Changes in accounting policies, accounting estimates and restatements
  - 1) Changes in the accounting policies resulting from amendments to accounting standards: Yes
  - 2) Changes other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Restatements: NoNote: For more details, see "Notes to Summary Information/Changes in Accounting Policies, Accounting Estimates and Restatements" on page 4 of the attached document.
4. Number of outstanding shares (common stock)
  - 1) Outstanding shares at the end of term (including treasury stock)
    - As of September 30, 2015: 614,438,399 shares
    - As of March 31, 2015: 614,438,399 shares
  - 2) Treasury stock at the end of term
    - As of September 30, 2015: 37,643,687 shares
    - As of March 31, 2015: 37,754,166 shares
  - 3) Average number of shares during the term (quarterly consolidated cumulative period)
    - 1H FY 2015: 576,729,658 shares
    - 1H FY 2014: 576,856,619 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 still 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 "(2) 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.....	2
(1) Consolidated Business Results .....	2
(2) Consolidated Results Forecasts.....	2
2. Notes to Summary Information .....	4
Changes in Accounting Policies, Accounting Estimates and Restatements .....	4
3. Consolidated Financial Statements.....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	7
Consolidated Statements of Income (First Half) .....	7
Consolidated Statements of Comprehensive Income (First Half).....	8
(3) Notes Pertaining to the Presumption of a Going Concern .....	9
(4) Notes on Significant Changes to Shareholders' Equity.....	9
4. Reference.....	10

## **1. Qualitative Information**

### **(1) Consolidated Business Results**

The Japanese economy in the first half of fiscal 2015 (ended September 30, 2015) saw capital investment and personal consumption remain steady, both backed by improved corporate performance. Economic slowdowns in emerging nations, however, impacted production and exports negatively, which heightened the uncertainty of Japan's economic outlook.

On a first-half consolidated basis, net sales of 1,713.2 billion yen were down 134.8 billion yen from the year earlier. Operating income of 49.4 billion yen fell 32.7 billion yen and ordinary income of 48.3 billion yen declined 43.6 billion yen. Income before income taxes and minority interests decreased 36.5 billion to 48.3 billion yen and profit attributable to owners of the parent company dropped 22.4 billion to 29.9 billion yen.

By segment, steel business posted net sales of 1,246.0 billion yen, down 178.1 billion yen, the result of steel production and sales declining on a volume basis in the face of persistently sluggish domestic inventory and sales prices falling due to oversupply in Asia. Ordinary income decreased 39.0 billion yen to 38.6 billion yen, hit hard by the production and sales declines and deteriorating conditions for exports.

Engineering business net sales rose 8.9 billion yen to 153.5 billion yen. Changes in the construction project mix resulted in an ordinary loss of 28 million yen, compared with ordinary income of 600 million yen in the previous year.

Trading business net sales decreased 31.7 billion yen to 914.5 billion yen, mainly due to steel sales volume dropping because of surplus inventory. Ordinary income of 9.8 billion yen was down 1.6 billion yen.

### **(2) Consolidated Results Forecasts**

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

In steel business, increased oversupplies of steel worldwide are continuing to weaken steel prices, particularly as demand declines in countries such as China. At present, it is difficult to forecast when market conditions will recover, as current conditions are expected to continue in the second half of this fiscal year. Although the Japanese market is enjoying steady demand overall, some products are suffering from sluggish demand and persistent inventory surpluses. JFE Steel expects to see production and sales volumes decline from fiscal 2014. Sales prices also will fall. Given that earnings could be hurt by losses on inventory valuation due to declining prices of principal raw materials, JFE Steel now forecasts ordinary income of 60.0 billion yen, which is short of the initial forecast announced on July 30. In view of harsh conditions in the current business environment, the company will strive to strengthen its profit base by steadily implementing measures specified in its fifth medium-term business plan, such as strengthening manufacturing bases, improving the product mix and promoting business overseas.

Engineering business is expected to achieve ordinary income of 20.0 billion yen thanks to aggressive efforts to win more orders.

Trading business, faced with deteriorating market conditions, is expected to see ordinary income of 20.0 billion yen, down from the initial forecast.

Overall, JFE Holdings is forecasting full-year consolidated net sales of 3,660.0 billion yen, operating income of 120.0 billion yen and ordinary income of 100.0 billion yen. The company expects profit attributable to owners of the parent company to be 50.0 billion yen. Ordinary income is expected to fall short of the initial forecast.

The company's board of directors has decided to pay an interim dividend of 20 yen per share. The year-end dividend will be decided once actual performance becomes clearer.

## **2. Notes to Summary Information**

### **Changes in Accounting Policies, Accounting Estimates and Restatements**

#### Application of Accounting Standard for Business Combinations

Effective the first quarter of fiscal 2015, JFE Holdings began applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21 of September 13, 2013, hereinafter referred to as the Business Combinations Accounting Standard), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013, hereinafter referred to as the Consolidation Accounting Standard), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013, hereinafter referred to as the Business Divestitures Accounting Standard). The standards were adopted to change the method of accounting and thereby record as a capital surplus any difference arising from changes in equity in subsidiaries that remain under the control of JFE Holdings, and to record the corresponding acquisition-related costs as expenses for the fiscal year in which the costs are incurred. For business combinations implemented in or after the first quarter of fiscal 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the quarter containing the date of the business combinations. Also, the presentation method of net income has been revised, and the reference to “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, consolidated financial statements have been reclassified for the six months ended September 30, 2014 and the fiscal year ended March 31, 2015.

To apply the accounting standards for business combinations effective the first quarter of fiscal 2015, the transitional treatment as prescribed in Article 58-2 (3) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard was applied.

As a result, ordinary income and income before income taxes and minority interests for the fiscal 2015 first half each decreased by 3 million yen. The capital surplus at the end of the first half increased by 3 million yen.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2015	As of <b>September 30, 2015</b>
Asset		
Current assets:		
Cash and deposits	85,889	<b>86,263</b>
Notes and accounts receivable	771,574	<b>630,190</b>
Merchandise and finished goods	357,733	<b>353,672</b>
Work in progress	45,798	<b>65,623</b>
Raw materials and supplies	408,871	<b>409,754</b>
Other current assets	203,739	<b>180,421</b>
Allowance for doubtful accounts	(2,326)	<b>(1,974)</b>
Total current assets	1,871,280	<b>1,723,951</b>
Non-current assets:		
Property, plant and equipment:		
Machinery and equipment, net	603,538	<b>608,417</b>
Land	499,512	<b>499,667</b>
Other, net	526,540	<b>515,677</b>
Total property, plant and equipment	1,629,591	<b>1,623,762</b>
Intangible assets	83,979	<b>81,748</b>
Investments and other assets:		
Investments in securities	970,250	<b>901,637</b>
Other assets	90,462	<b>86,474</b>
Allowance for doubtful accounts	(6,152)	<b>(6,530)</b>
Total investments and other assets	1,054,560	<b>981,580</b>
Total non-current assets	2,768,131	<b>2,687,092</b>
<b>Total assets</b>	<b>4,639,412</b>	<b>4,411,043</b>

(million yen)

As of  
March 31, 2015      **As of  
September 30, 2015**

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**Liabilities and shareholders' equity**
**Current liabilities:**

Notes and accounts payable	469,107	<b>409,026</b>
Short-term borrowings	288,004	<b>272,308</b>
Commercial paper	-	<b>85,995</b>
Current portion of corporate bonds	80,000	<b>20,000</b>
Provision	12,908	<b>10,529</b>
Other current liabilities	365,632	<b>319,207</b>
Total current liabilities	1,215,653	<b>1,117,067</b>

**Long-term liabilities:**

Corporate bonds	145,000	<b>125,000</b>
Long-term borrowings	988,756	<b>953,067</b>
Provision	61,984	<b>59,919</b>
Net defined-benefit liabilities	119,331	<b>118,560</b>
Other	118,662	<b>93,251</b>
Total long-term liabilities	1,433,735	<b>1,349,799</b>

<b>Total liabilities</b>	2,649,388	<b>2,466,866</b>
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**Net assets****Shareholders' equity:**

Common stock	147,143	<b>147,143</b>
Capital surplus	647,121	<b>647,124</b>
Retained earnings	1,066,517	<b>1,072,902</b>
Treasury stock, at cost	(179,430)	<b>(178,577)</b>
Total shareholders' equity	1,681,350	<b>1,688,592</b>

**Accumulated other comprehensive income:**

Net unrealized gains on securities	194,733	<b>143,441</b>
Deferred earnings on hedges	(535)	<b>(1,798)</b>
Net unrealized gains on revaluation of land	15,654	<b>15,644</b>
Translation adjustments	41,107	<b>39,120</b>
Accumulated adjustments for retirement benefits	6,626	<b>6,492</b>
Total accumulated other comprehensive income	257,587	<b>202,899</b>

Non-controlling interests	51,085	<b>52,684</b>
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Total net assets	1,990,023	<b>1,944,177</b>
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<b>Total liabilities and net asset</b>	4,639,412	<b>4,411,043</b>
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## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income (First Half)

	First Half of Fiscal 2014	(million yen) First Half of Fiscal 2015
Net sales	1,848,057	1,713,224
Cost of sales	1,613,614	1,504,485
Gross profit	234,442	208,739
Selling, general and administrative expenses	152,336	159,278
Operating income	82,105	49,461
Non-operating income:		
Interest income	544	559
Dividend income	5,684	6,306
Other	27,507	13,650
Total non-operating income	33,736	20,516
Non-operating expenses:		
Interest expense	7,165	6,478
Loss on disposal of fixed assets	6,448	6,506
Other	10,256	8,602
Total non-operating expenses	23,870	21,587
Ordinary income	91,971	48,389
Extraordinary losses:		
Impairment loss	7,107	-
Total extraordinary loss	7,107	-
Income before income taxes and non-controlling interests	84,864	48,389
Income taxes	30,025	16,895
Profit	54,838	31,494
Profit attributable to non-controlling interests	2,486	1,566
Profit attributable to owners of parent	52,352	29,928

## Consolidated Statements of Comprehensive Income (First Half)

	First Half of Fiscal 2014	(million yen) <b>First Half of Fiscal 2015</b>
Profit	54,838	<b>31,494</b>
Other comprehensive income:		
Net unrealized gains on securities	36,948	<b>(50,638)</b>
Deferred gains on hedges	1,341	<b>(1,428)</b>
Translation adjustments	(3,256)	<b>(1,452)</b>
Adjustments for retirement benefits	806	<b>45</b>
Share of other comprehensive income of affiliates accounted for using equity method	(1,133)	<b>(1,076)</b>
Total other comprehensive income	34,707	<b>(54,549)</b>
Comprehensive income:	89,545	<b>(23,054)</b>
(breakdown)		
Comprehensive income attributable to owners of parent	87,351	<b>(24,748)</b>
Comprehensive income attributable to non-controlling interests	2,194	<b>1,693</b>

**(3) Notes Pertaining to the Presumption of a Going Concern**

There is no item for this period.

**(4) Notes on Significant Changes in Stockholders' Equity**

There is no item for this period.

## 4. Reference

### (1) Consolidated Results in First Half and Earnings Forecasts for Fiscal 2015

(billion yen)

	FY2014		FY2015		Change		(Reference) Full-year forecasts announced on July 30, 2015
	1H	Full year	1H	Full year*	1H	Full year*	
Steel Business	1,424.1	2,873.8	1,246.0	2,550.0	(178.1)	(323.8)	
Engineering Business	144.6	367.3	153.5	400.0	8.9	32.7	
Trading Business	946.2	1,934.4	914.5	1,920.0	(31.7)	(14.4)	
Adjustments	(667.0)	(1,325.3)	(601.0)	(1,210.0)	66.0	115.3	
<b>Net Sales</b>	<b>1,848.0</b>	<b>3,850.3</b>	<b>1,713.2</b>	<b>3,660.0</b>	<b>(134.8)</b>	<b>(190.3)</b>	
<b>Operating Income</b>	<b>82.1</b>	<b>222.5</b>	<b>49.4</b>	<b>120.0</b>	<b>(32.7)</b>	<b>(102.5)</b>	
<b>Non-operating Income (Expenses)</b>	<b>9.8</b>	<b>8.4</b>	<b>(1.0)</b>	<b>(20.0)</b>	<b>(10.8)</b>	<b>(28.4)</b>	
Steel Business	77.6	188.5	38.6	60.0	(39.0)	(128.5)	150.0
Engineering Business	0.6	18.0	(0)	20.0	(0.6)	2.0	20.0
Trading Business	11.4	24.6	9.8	20.0	(1.6)	(4.6)	23.0
Adjustments	2.2	(0.2)	(0)	0	(2.2)	0.2	7.0
<b>Ordinary Income (Loss)</b>	<b>91.9</b>	<b>231.0</b>	<b>48.3</b>	<b>100.0</b>	<b>(43.6)</b>	<b>(131.0)</b>	<b>200.0</b>
<b>Extraordinary Profit (Loss)</b>	<b>(7.1)</b>	<b>(4.3)</b>	<b>-</b>	<b>0</b>	<b>7.1</b>	<b>4.3</b>	
<b>Income Before Income Taxes and Minority Interests</b>	<b>84.8</b>	<b>226.6</b>	<b>48.3</b>	<b>100.0</b>	<b>(36.5)</b>	<b>(126.6)</b>	
<b>Tax Expense and Profit Attributable to Non-controlling Interests</b>	<b>(32.5)</b>	<b>(87.3)</b>	<b>(18.4)</b>	<b>(50.0)</b>	<b>14.1</b>	<b>37.3</b>	
<b>Profit Attributable to Owners of Parent</b>	<b>52.3</b>	<b>139.3</b>	<b>29.9</b>	<b>50.0</b>	<b>(22.4)</b>	<b>(89.3)</b>	

\*estimate

### (2) Consolidated Financial Indices

	Fiscal 2014	Fiscal 2015 (estimate)	Change
Return on Sales (ROS) <sup>1</sup>	6.0%	2.7%	(3.3%)
Return on Assets (ROA) <sup>2</sup>	5.5%	2.5%	(3.0%)
Return on Equity (ROE) <sup>3</sup>	7.7%	2.6%	(5.1%)
Debt Outstanding	1,501.7 billion yen	1,440.0 billion yen	(61.7 billion yen)
Shareholders' Equity	1,938.9 billion yen	1,880.0 billion yen	(58.9 billion yen)
D/E Ratio <sup>4</sup>	59.0%	57.7%	(1.3%)

<sup>1</sup> ROS = Ordinary income / net sales

<sup>2</sup> ROA = Ordinary income before interest expenses / Total assets (average)

<sup>3</sup> ROE = Profit attributable to owners of parent / Shareholders' equity

<sup>4</sup> D/E ratio = Debt outstanding / Shareholders' equity. For debt having a capital component, 75% of the 300 billion yen issue price is deemed to be capital, as assessed by rating agencies.

**(3) Crude Steel Production (JFE Steel)** (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014	Non-consolidated	7.14	7.35	14.50	6.94	7.00	13.94	28.44
	Consolidated	7.87	8.01	15.88	7.61	7.56	15.16	31.04
FY 2015	Non-consolidated	6.54	6.91	13.45				
	Consolidated	7.19	7.50	14.69				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		6.41	6.62	13.04	6.53	6.51	13.04	26.07
FY 2015		5.98	6.39	12.37				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		46.2	49.3	47.8	48.1	48.6	48.4	48.1
FY 2015		46.2	48.6	47.4				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		102.4	102.7	102.5	112.3	119.4	115.9	109.2
FY 2015		121.0	122.6	121.8				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		77.9	75.6	76.7	77.9	77.3	77.6	77.1
FY 2015		73.5	68.8	71.0				

**(8) Engineering Business Orders (including inter-segment transactions)**

(billion yen)

1H FY 2015

450.0\*

2.1% decrease from previous year

\*estimate

## (9) Debt Outstanding, Interest Expense, and Cash and Deposits

(JFE Holdings, consolidated basis)

<u>Debt outstanding</u>		<u>Interest expense</u>	
As of	(billion yen)		(billion yen)
March 31, 2015	1,501.7	FY 2014	-14.5
March 31, 2016	1,440.0*	FY 2015	-14.0*
<u>Cash and deposits</u>			
As of	(billion yen)		
March 31, 2015	85.8		
March 31, 2016	60.0*		*estimate

## (10) Capital Investment and Depreciation Cost (JFE Holdings, consolidated basis)

(billion yen)

	FY 2014	FY 2015	
Capital investment	225.9	230.0*	(on construction basis)
Depreciation	176.0	180.0*	*estimate

## (11) Breakdown of Changes in Ordinary Income for Steel Business

a. First half of FY 2015, compared to same period of FY 2014

	<u>Change</u>	<u>1Q of FY 2014</u>	<u>(billion yen)</u> <u>1Q of FY 2015</u>
Ordinary income	(39.0)	77.6→	38.6
- Sales volume, sales prices and raw materials prices	(35.0)		
- Cost reductions	18.0		
- Unrealized gains on inventories and others	(22.0)		

b. FY 2015 forecast, compared to FY 2014

	<u>Change</u>	<u>FY 2014</u>	<u>(billion yen)</u> <u>FY 2015</u>
Ordinary income	(128.5)	188.5→	60.0*
- Sales volume, sales prices and raw materials prices	(105.0)		
- Cost reductions	35.0		
- Unrealized gains on inventories and others	(58.5)		

\*Approximate estimate

c. FY 2015 revised forecasts, compared to initial forecasts on July 30, 2015

	<u>Change</u>	<u>FY 2014</u>	<u>(billion yen)</u> <u>FY 2015</u>
Ordinary income	(90.0)	150.0→	60.0*
- Sales volume, sales prices and raw materials prices	(50.0)		
- Cost reductions	(5.0)		
- Unrealized gains on inventories and others	(35.0)		

\*Approximate estimate

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