

JFE Holdings' Financial Results in First Quarter of Fiscal Year 2016 Ending March 31, 2017

— 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)

July 29, 2016

Official name: Listings: Code: English URL: Representative: Contact: Phone: Scheduled date to submit Quarterly Securities Report: 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 August 3, 2016 Yes Yes
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(Figures are rounded down to the nearest million yen.)

1. Consolidated Results in First Quarter of Fiscal 2016 (April 1 to June 30, 2016)

(1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating Income (loss) (million yen)	Year-on-year change (%)	Ordinary Income (loss) (million yen)	Year-on-year change (%)	Profit (loss) attributable to owners of parent (million yen)	Year-on-year change (%)	Net income (loss) per share (yen)	Net income per share [fully diluted] (yen)
1Q FY 2016	740,665	(13.6)	(4,215)	-	(13,368)	-	(11,722)	-	(20.33)	-
1Q FY 2015	857,102	(7.6)	24,600	(21.5)	28,707	(17.3)	17,349	11.9	30.09	-

Note: Comprehensive income: (45,331 million yen) in 1Q FY 2016 (-)
19,628 million yen in 1Q FY 2015 (down 37.3%)

(2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)	Net assets per share (yen)
End 1Q FY 2016	4,236,860	1,805,556	41.4	3,038.44
End FY 2015	4,234,884	1,857,921	42.6	3,128.36

Note: Shareholders' equity: 1,752,323 million yen as of June 30, 2016
1,804,196 million yen as of March 31, 2016

2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2015	30.00	20.00	10.00
FY 2016 (estimate)	-	0.00	-

Note: Revisions to dividend forecast announced most recently: Yes
The year-end dividend and the total dividend are not yet determined.

3. Forecasts of Consolidated Financial Results in Fiscal 2016 (April 1, 2016 to March 31, 2017)

	Net sales (million yen)	Year-on-year change (%)	Operating Income (loss) (million yen)	Year-on-year change (%)	Ordinary Income (loss) (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income (loss) per share (yen)
1H FY 2016	1,530,000	(10.7)	(5,000)	-	(20,000)	-	(18,000)	-	(31.21)
FY 2016	-	-	-	-	65,000	1.2	-	-	-

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 June 30, 2016: 614,438,399 shares
 - As of March 31, 2016: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of June 30, 2016: 37,720,273 shares
 - As of March 31, 2016: 37,714,629 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 1Q FY 2016: 576,720,766 shares
 - 1Q FY 2015: 576,675,117 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.

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1. Qualitative Information

(1) Consolidated Business Results

Although corporate earnings and employment remain robust in Japan in the first quarter of fiscal 2016 (ended June 30, 2016), the economy came to a standstill on weak demand, the result of sluggish domestic consumer spending and slow export growth caused by the yen's sharp appreciation. The global economy became increasingly uncertain, reflecting the risks of slumping emerging economies and the United Kingdom's decision to exit the European Union.

On a consolidated basis for the quarter, JFE's net sales of 740.6 billion yen decreased 116.5 billion yen from the year earlier. The company booked an operating loss of 4.2 billion yen following operating income of 24.6 billion yen in the previous year, and an ordinary loss of 13.3 billion yen compared with last year's ordinary income of 28.7 billion yen. The loss before income taxes came to 13.3 billion yen, whereas last year's profit before income taxes totaled 28.7 billion yen. The loss attributable to owners of parent was 11.7 billion yen compared to a profit of 17.3 billion yen in the previous year.

By segment, steel business saw overseas selling prices begin to bottom out after dropping significantly since the summer of 2015. In some areas, prices even recovered to some extent. The enormous oversupply in Asia and resulting price drops, however, pushed JFE Steel's net sales down by 92.4 billion yen to 528.4 billion yen. Despite continuous efforts to improve profitability, JFE Steel posted an ordinary loss of 20.3 billion yen, a reversal from last year's profit of 21.5 billion yen, due to harsh sales conditions, a reduction in the valuation of inventory caused by falling raw material prices, and unfavorable foreign exchange fluctuations.

Engineering business net sales rose 11.0 billion yen to 80.4 billion yen thanks to steady implementation of existing projects by JFE Engineering. Ordinary income of 1.8 billion yen was an improvement over last year's loss of 300 million yen.

Trading business net sales decreased 72.1 billion yen to 393.0 billion yen partly because selling prices fell both in Japan and overseas. Ordinary income fell 900 million yen to 4.5 billion yen.

(2) Consolidated Results Forecasts

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

In steel business, demand in Japan is forecast to begin recovering slowly in the second half of fiscal 2016. Consumer spending and capital investment are expected to recover, and construction connected with the Tokyo 2020 Olympic and Paralympic Games will get under way. Overseas, thin plate prices are showing signs of recovering after bottoming out, but overall steel prices haven't reached to a full-blown recovery due to the sluggish energy sector. The outlook remains unclear as global oversupply continues. In the face of harsh business conditions, the company will strive to cut costs and pursue sales strategically in response to market conditions. The strong yen and other negative factors, however, are expected to lower JFE Steel's ordinary income to 20.0 billion yen. The company will strengthen its profit base by steadily implementing measures in its fifth medium-term business plan, including strengthening its manufacturing base, improving its product mix and developing more business overseas.

In engineering business, JFE will aim to achieve growth by aggressively pursuing orders in the environment and energy business and the infrastructure business. A record ordinary income of 25.0 billion yen is forecast.

In trading business, despite falling steel prices and foreign exchange fluctuations, ordinary income of 20.0 billion yen is forecasted, up from the year earlier, thanks to improving profitability among overseas group companies.

Overall, JFE Holdings forecasts full-year consolidated ordinary income of 65.0 billion yen.

The company expects to forgo an interim dividend in response to current earnings. A decision about the year-end dividend will be reached once actual performance becomes clearer.

2. Notes to Summary Information

Changes in Accounting Policies, Accounting Estimates and Restatements

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Effective as of the first quarter of fiscal 2016, JFE Holdings began applying the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Accounting Standards Board of Japan's [ASBJ] Practical Issues Task Force [PITF] No. 32 of June 17, 2016) as a result of revisions to Japan's Corporate Tax Act. The solution was adopted to change from the declining-balance method to the straight-line method for depreciation of facilities attached to buildings or structures acquired since April 1, 2016.

Consequently, the fiscal 2016 first-quarter operating loss, ordinary loss and loss before income taxes each decreased by 36 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2016	(million yen) As of June 30, 2016
Assets		
Current assets:		
Cash and deposits	64,654	209,863
Notes and accounts receivable – trade	720,639	618,615
Merchandise and finished goods	311,234	299,941
Work in progress	43,657	61,060
Raw materials and supplies	402,406	382,295
Other current assets	166,672	178,740
Allowance for doubtful accounts	(1,434)	(1,312)
Total current assets	1,707,829	1,749,203
Non-current assets:		
Property, plant and equipment:		
Machinery, equipment and vehicles, net	606,546	627,252
Land	497,285	497,001
Other, net	523,354	497,320
Total property, plant and equipment	1,627,186	1,621,574
Intangible assets	81,403	79,175
Investments and other assets:		
Investments securities	749,177	709,985
Other assets	73,809	80,524
Allowance for doubtful accounts	(4,521)	(3,604)
Total investments and other assets	818,465	786,906
Total non-current assets	2,527,054	2,487,656
Total assets	4,234,884	4,236,860

(million yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	422,331	396,130
Short-term loans payable	353,382	290,623
Commercial papers	36,000	-
Current portion of bonds	20,000	70,000
Provision	11,185	10,289
Other current liabilities	315,286	300,036
Total current liabilities	1,158,185	1,067,079
Non-current liabilities:		
Corporate bonds	125,000	75,000
Long-term borrowings	844,990	1,048,707
Provision	51,354	50,703
Net defined-benefit liabilities	125,283	123,244
Other	72,148	66,568
Total non-current liabilities	1,218,776	1,364,224
Total liabilities	2,376,962	2,431,304
Net assets		
Shareholders' equity:		
Capital stock	147,143	147,143
Capital surplus	646,380	646,383
Retained earnings	1,065,037	1,047,544
Treasury shares	(178,654)	(178,660)
Total shareholders' equity	1,679,906	1,662,409
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	101,709	83,479
Deferred gains (losses) on hedges	(3,119)	(3,338)
Revaluation reserve for land	16,328	16,328
Foreign currency translation adjustment	14,503	(2,146)
Remeasurements of defined benefit plans	(5,130)	(4,409)
Total accumulated other comprehensive income	124,290	89,913
Non-controlling interests	53,724	53,233
Total net assets	1,857,921	1,805,556
Total liabilities and net assets	4,234,884	4,236,860

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (First Quarter)

	First Quarter of Fiscal 2015	(million yen) First Quarter of Fiscal 2016
Net sales	857,102	740,665
Cost of sales	753,637	666,638
Gross profit	103,465	74,026
Selling, general and administrative expenses	78,865	78,242
Operating income (loss)	24,600	(4,215)
Non-operating income:		
Interest income	251	284
Dividend income	5,842	5,486
Other	8,857	5,158
Total non-operating income	14,951	10,928
Non-operating expenses:		
Interest expenses	3,268	2,781
Foreign exchange losses	-	7,069
Other	7,574	10,231
Total non-operating expenses	10,843	20,082
Ordinary income (loss)	28,707	(13,368)
Profit (loss) before income taxes	28,707	(13,368)
Income taxes	10,661	(2,557)
Profit (loss)	18,046	(10,811)
Profit attributable to non-controlling interests	696	910
Profit (loss) attributable to owners of parent	17,349	(11,722)

Consolidated Statements of Comprehensive Income (First Quarter)

	First Quarter of Fiscal 2015	(million yen) First Quarter of Fiscal 2016
Profit (loss)	18,046	(10,811)
Other comprehensive income:		
Valuation difference on available-for-sale securities	6,382	(18,249)
Deferred gains or losses on hedges	(909)	400
Foreign currency translation adjustment	(2,552)	(6,340)
Remeasurements of defined benefit plans, net of tax	150	556
Share of other comprehensive income of entities accounted for using equity method	(1,488)	(10,886)
Total other comprehensive income	1,582	(34,519)
Comprehensive income:	19,628	(45,331)
(breakdown)		
Comprehensive income attributable to owners of parent	18,782	(46,099)
Comprehensive income attributable to non-controlling interests	845	768

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

There is no item for this period.

(4) Notes In Case of Significant Changes in Stockholders' Equity

There is no item for this period.

4. Reference

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

(billion yen)

	FY 2015			FY 2016			Change		
	1Q	1H	Full year	1Q	1H	Full year	1Q	1H	Full year
Steel Business	620.8	1,246.0	2,445.1	528.4	1,100.0		(92.4)	(146.0)	
Engineering Business	69.4	153.5	397.5	80.4	180.0		11.0	26.5	
Trading Business	465.1	914.5	1,756.4	393.0	780.0		(72.1)	(134.5)	
Adjustments	(298.4)	(601.0)	(1,167.4)	(261.2)	(530.0)		37.2	71.0	
Net Sales	857.1	1,713.2	3,431.7	740.6	1,530.0		(116.5)	(183.2)	
Operating Income (Loss)	24.6	49.4	90.6	(4.2)	(5.0)		(28.8)	(54.4)	
Non-operating Income (Expenses)	4.1	(1.0)	(26.3)	(9.1)	(15.0)		(13.2)	(14.0)	
Steel Business	21.5	38.6	27.8	(20.3)	(33.0)	20.0	(41.8)	(71.6)	(7.8)
Engineering Business	(0.3)	(0.0)	20.0	1.8	5.5	25.0	2.1	5.5	5.0
Trading Business	5.4	9.8	15.7	4.5	7.5	20.0	(0.9)	(2.3)	4.3
Adjustments	2.1	(0.0)	0.6	0.6	0.0	0.0	(1.5)	0.0	(0.6)
Ordinary Income (Loss)	28.7	48.3	64.2	(13.3)	(20.0)	65.0	(42.0)	(68.3)	0.8
Extraordinary Profit (Loss)	-	-	10.0	-	-		-	-	
Profit (loss) before income taxes	28.7	48.3	74.3	(13.3)	(20.0)		(42.0)	(68.3)	
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(11.3)	(18.4)	(40.6)	1.6	2.0		12.9	20.4	
Profit Attributable to Owners of Parent	17.3	29.9	33.6	(11.7)	(18.0)		(29.0)	(47.9)	

(2) Consolidated Financial Indices

	Fiscal 2015	1H Fiscal 2016	Change
Return on Sales (ROS) ¹	1.9%	(1.3%)	(3.2%)
Return on Assets (ROA) ²	1.7%	(0.3%)	(2.0%)
Return on Equity (ROE) ³	1.8%	(2.0%)	(3.8%)
Debt Outstanding	1,379.3 billion yen	1,440.0 billion yen	60.7 billion yen
Shareholders' Equity	1,804.1 billion yen	1,730.0 billion yen	(74.1 billion yen)
D/E Ratio ⁴	56.9%	58.1%	1.2%

¹ ROS = Ordinary income / net sales

² ROA (full year) = Ordinary income before interest expenses / Total assets (average)

ROA (first half) = Ordinary income before interest expenses x 2 / Total assets (average)

³ ROE (full year) = Profit attributable to owners of parent / Shareholders' equity

ROE (first half) = Profit attributable to owners of parent x 2 / Shareholders' equity

⁴ D/E ratio = Debt outstanding / Shareholders' equity. For debt having a capital component*, a portion of its issue price 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

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2015	Non-consolidated	6.54	6.91	13.45	6.98	6.93	13.91	27.36
	Consolidated	7.19	7.50	14.69	7.57	7.48	15.06	29.75
FY 2016	Non-consolidated	6.94	7.00*	14.00*				
	Consolidated	7.52	7.60*	15.20*				

*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2015		5.98	6.39	12.37	6.45	6.56	13.02	25.39
FY 2016		6.26	6.70*	13.00*				

*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2015		46.2	48.6	47.4	44.8	43.3	44.0	45.8
FY 2016		43.6	45*	44*				

*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2015		121.0	122.6	121.8	121.2	117.7	119.5	120.6
FY 2016		111.1	104*	108*				

*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2015		73.5	68.8	71.0	65.1	60.6	62.8	66.8
FY 2016		58.5	58*	58*				

*estimate

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

(billion yen)

1H FY 2016 220.0* 11.6% increase from previous year

*estimate

(9) Breakdown of Changes in Ordinary Income for Steel Business

a. First quarter of FY 2016, compared to same period of FY 2015

	<u>Change</u>	<u>1Q of FY 2015</u>	<u>(billion yen)</u> <u>1Q of FY 2016</u>
Ordinary income	(41.8)	21.5➔	(20.3)
- Sales volume, sales prices and raw materials prices	(15.0)		
- Cost reductions	8.0		
- Unrealized gains (losses) on inventories	(23.0)		
- Others	(11.8)		

b. FY 2016 (forecast), compared to FY 2015

	<u>Change</u>	<u>FY 2015</u>	<u>(billion yen)</u> <u>FY 2016</u>
Ordinary income	(7.8)	27.8➔	20.0*
- Sales volume, sales prices and raw materials prices	(45.0)		
- Cost reductions	30.0		
- Unrealized gains (losses) on inventories	23.0		
- Others	(15.8)		

*Approximate estimate

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