



JFE Group

***Financial Results in First Quarter of
Fiscal Year 2016 ending March 31, 2017***

JFE Holdings, Inc.

July, 2016



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 Quarter
of Fiscal Year 2016
(April 1 to June 30, 2016)**



Financial Results of First Quarter of Fiscal Year 2016

JFE

(billion yen)

	FY2015 1Q (Apr-Jun)	FY2016 1Q (Apr-Jun)	Change
Net Sales	857.1	740.6	(116.5)
Operating Income	24.6	(4.2)	(28.8)
Non-operating Income	4.1	(9.1)	(13.2)
Ordinary Income	28.7	(13.3)	(42.0)
Extraordinary Profit (Loss)	-	-	-
Profit(Loss) Before Income Taxes	28.7	(13.3)	(42.0)
Tax Expense and Profit Attributable to Non-controlling Interests	(11.3)	1.6	12.9
Profit Attributable to Owners of Parent	17.3	(11.7)	(29.0)

Financial Results of First Quarter of Fiscal Year 2016

(by Segment)

(billion yen)

	FY2015 1Q (Apr-Jun)	FY2016 1Q (Apr-Jun)	Change
Steel Business	620.8	528.4	(92.4)
Engineering Business	69.4	80.4	11.0
Trading Business	465.1	393.0	(72.1)
Adjustments	(298.4)	(261.2)	37.2
Net Sales	857.1	740.6	(116.5)
Steel Business	21.5	(20.3)	(41.8)
Engineering Business	(0.3)	1.8	2.1
Trading Business	5.4	4.5	(0.9)
Adjustments	2.1	0.6	(1.5)
Ordinary Income (Loss)	28.7	(13.3)	(42.0)



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

Financial Forecasts for Fiscal Year 2016



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(billion yen)

	FY2015		FY2016		Change 1H	Change Full year
	1H	Full year	1H	Full year		
Net Sales	1,713.2	3,431.7	1,530.0		(183.2)	
Operating Income	49.4	90.6	(5.0)		(54.4)	
Non-operating Income	(1.0)	(26.3)	(15.0)		(14.0)	
Ordinary Income	48.3	64.2	(20.0)	65.0	(68.3)	0.8
Extraordinary Profit (Loss)	-	10.0	-		-	
Income before Income Taxes and Minority Interests	48.3	74.3	(20.0)		(68.3)	
Tax Expense and Profit Attributable to Non-controlling Interests	(18.4)	(40.6)	2.0		20.4	
Profit Attributable to Owners of Parent	29.9	33.6	(18.0)		(47.9)	
ROS(*)	2.8%	1.9%	(1.3%)		(4.1%)	

*Return on Sales: Ordinary Income / Net Sales

Financial Forecasts for Fiscal Year 2016 (by Segment)

(billion yen)

	FY2015		FY2016		Change 1H	Change Full year
	1H	Full year	1H	Full year		
Steel Business	1,246.0	2,445.1	1,100.0		(146.0)	
Engineering Business	153.5	397.5	180.0		26.5	
Trading Business	914.5	1,756.4	780.0		(134.5)	
Adjustments	(601.0)	(1,167.4)	(530.0)		71.0	
Net Sales	1,713.2	3,431.7	1,530.0		(183.2)	
Steel Business	38.6	27.8	(33.0)	20.0	(71.6)	(7.8)
Engineering Business	(0.0)	20.0	5.5	25.0	5.5	5.0
Trading Business	9.8	15.7	7.5	20.0	(2.3)	4.3
Adjustments	(0.0)	0.6	0.0	0.0	0.0	(0.6)
Ordinary Income	48.3	64.2	(20.0)	65.0	(68.3)	0.8



JFE Steel

Financial Results in First Quarter of Fiscal Year 2016

Production and Shipment

(million tons)

■ Crude Steel Production and Shipment (non-consolidated basis)

	FY2015 1Q A	FY2015 Full year	FY2016 1Q B	Change B-A
Crude Steel	6.54	27.36	6.94	4.0
Shipment	5.98	25.39	6.26	2.8

■ Crude Steel Production (consolidated basis)

Crude Steel	7.19	29.75	7.52	3.3
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7.3Billion Yen decrease in JFE Steel's Ordinary Income (FY15 4Q vs. FY16 1Q)



(billion yen)

JFE Steel	FY15 1Q	FY15 2Q	FY15 3Q	FY15 4Q	FY16 1Q	Change 4Q→1Q
Ordinary Income	21.5	17.1	2.2	(13.0)	(20.3)	(7.3)

- Cost reduction + 1.0
- Volume and Product mix 0.0
- Sales and Raw materials + 3.0
- Inventory valuation - 26.0
- Others + 14.7

TOTAL - 7.3



JFE Steel

Financial Forecasts for Fiscal Year 2016

Current Business Environment

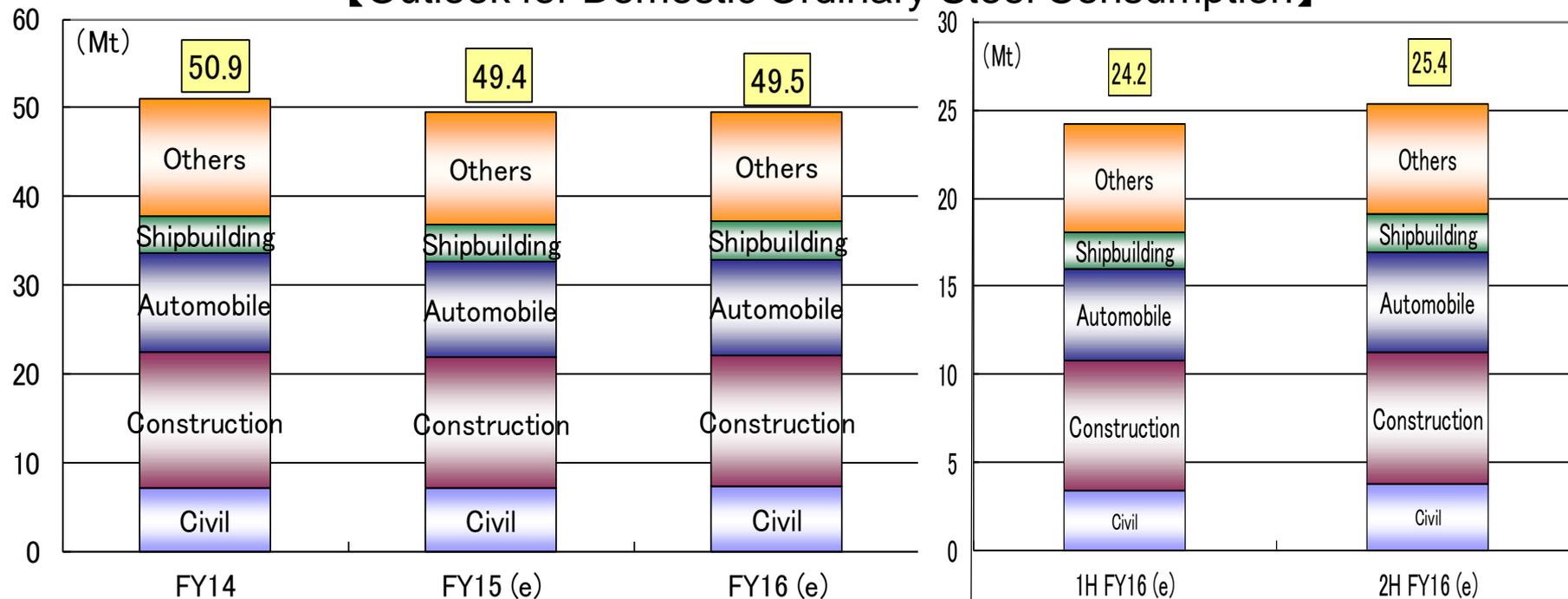
Current Business Environment (Domestic)

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Domestic Business Environment

- Domestic steel consumption in FY16 is forecast to increase slightly compared with FY15, although some products are experiencing a delay in demand recovery.
- In the 2nd half of FY16, steel demand in auto sector and in civil and construction sector including urban redevelopment projects connected with the Tokyo 2020 Olympics and Paralympics is expected to increase.

【Outlook for Domestic Ordinary Steel Consumption】

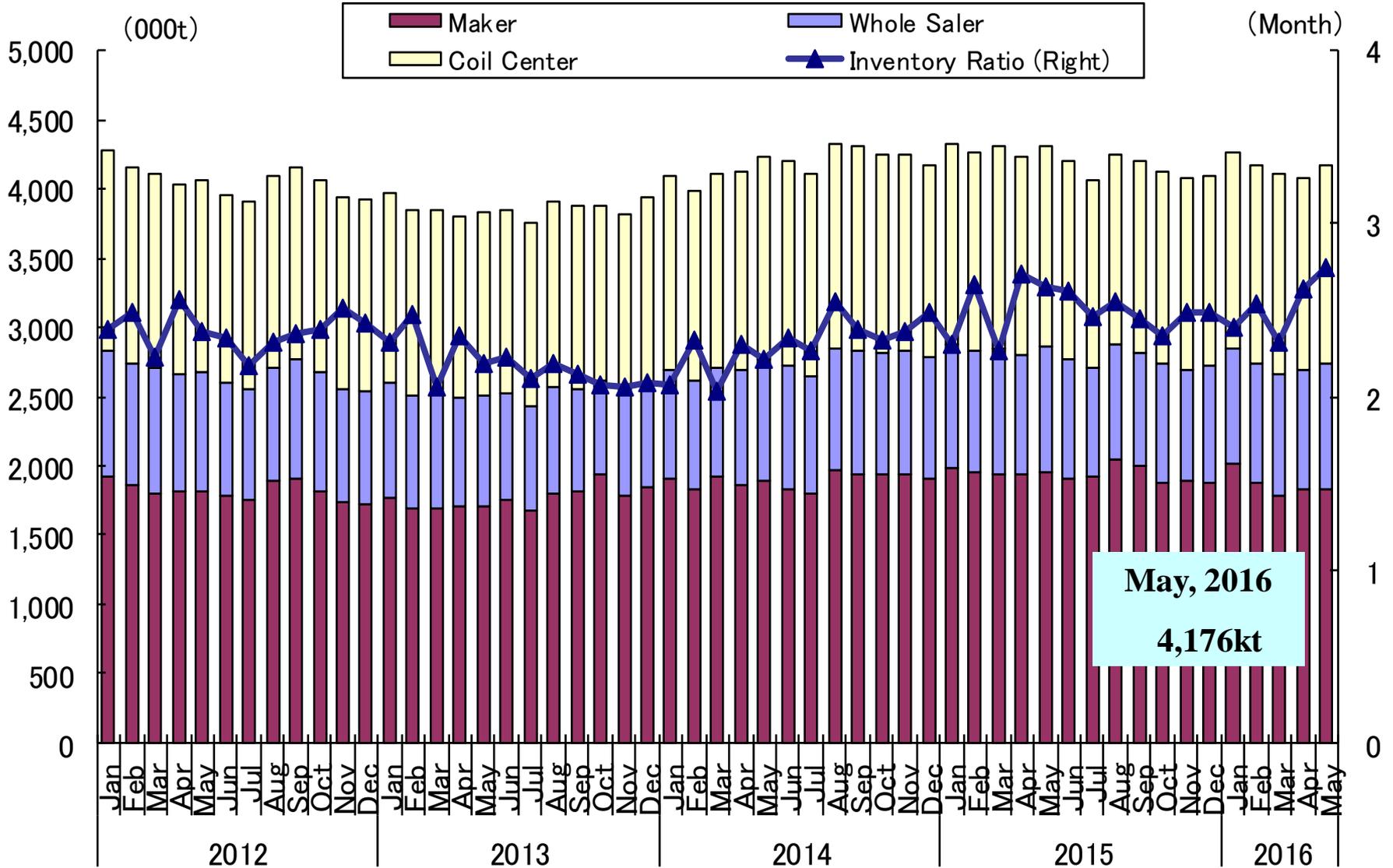




Domestic Market Environment

Combined Inventories of HR, CR and Coated Steel Sheet

JFE



May, 2016
4,176kt



JFE

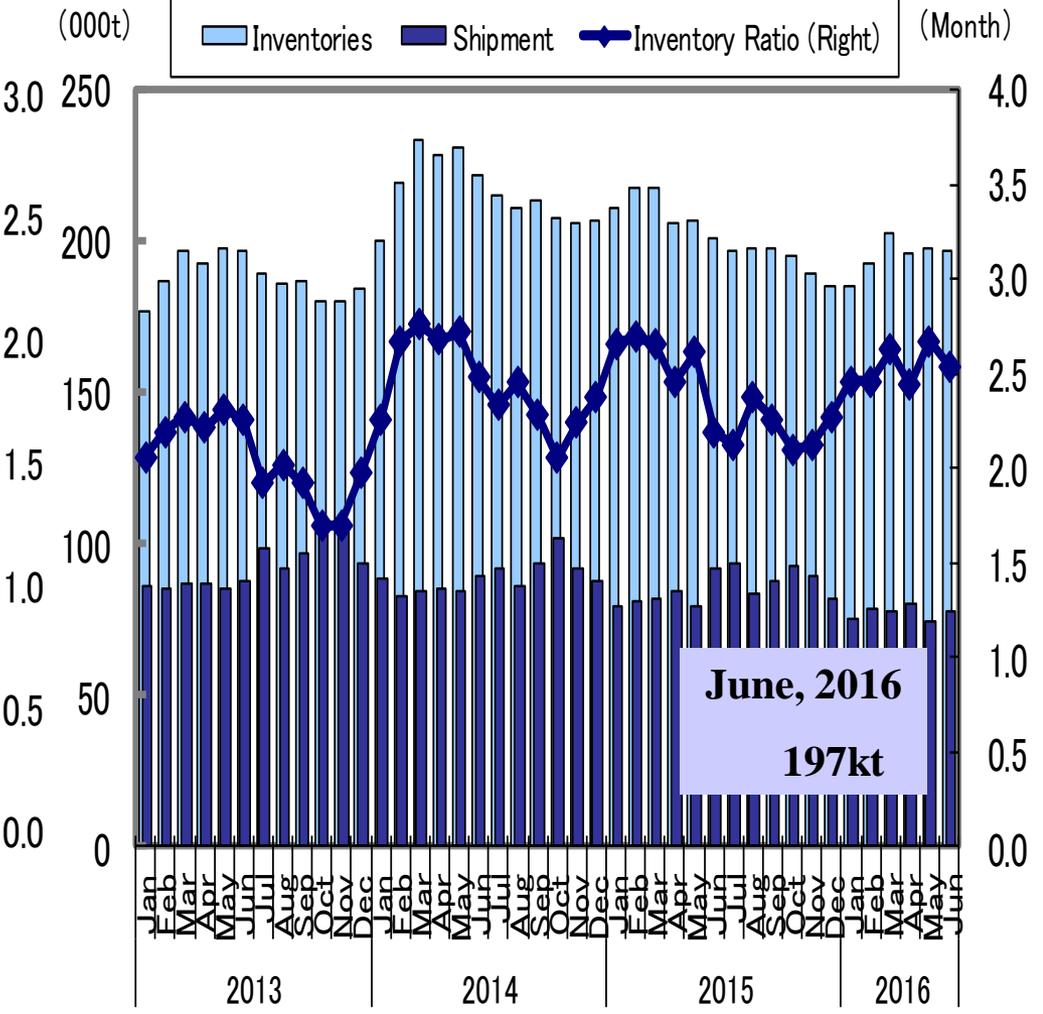
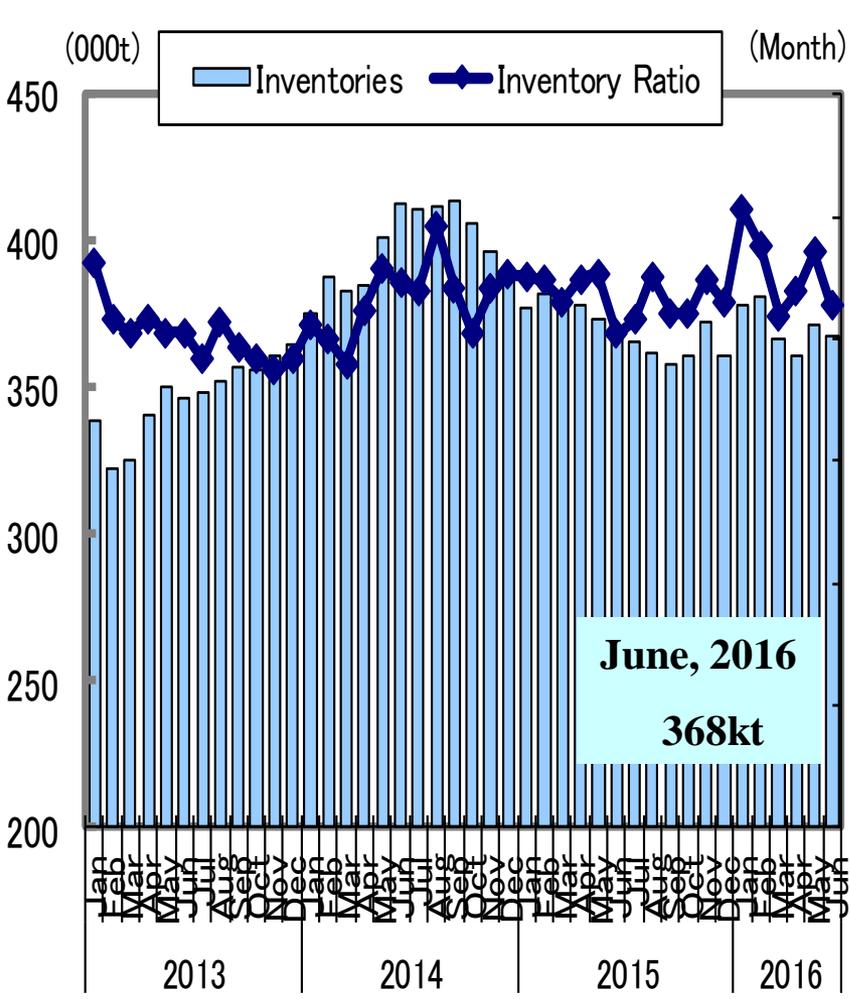
Domestic Market Environment

Inventories of Plate (Plate Shear) and Wide Flange Shapes

JFE Steel

Inventories of Plate (Plate Shear)

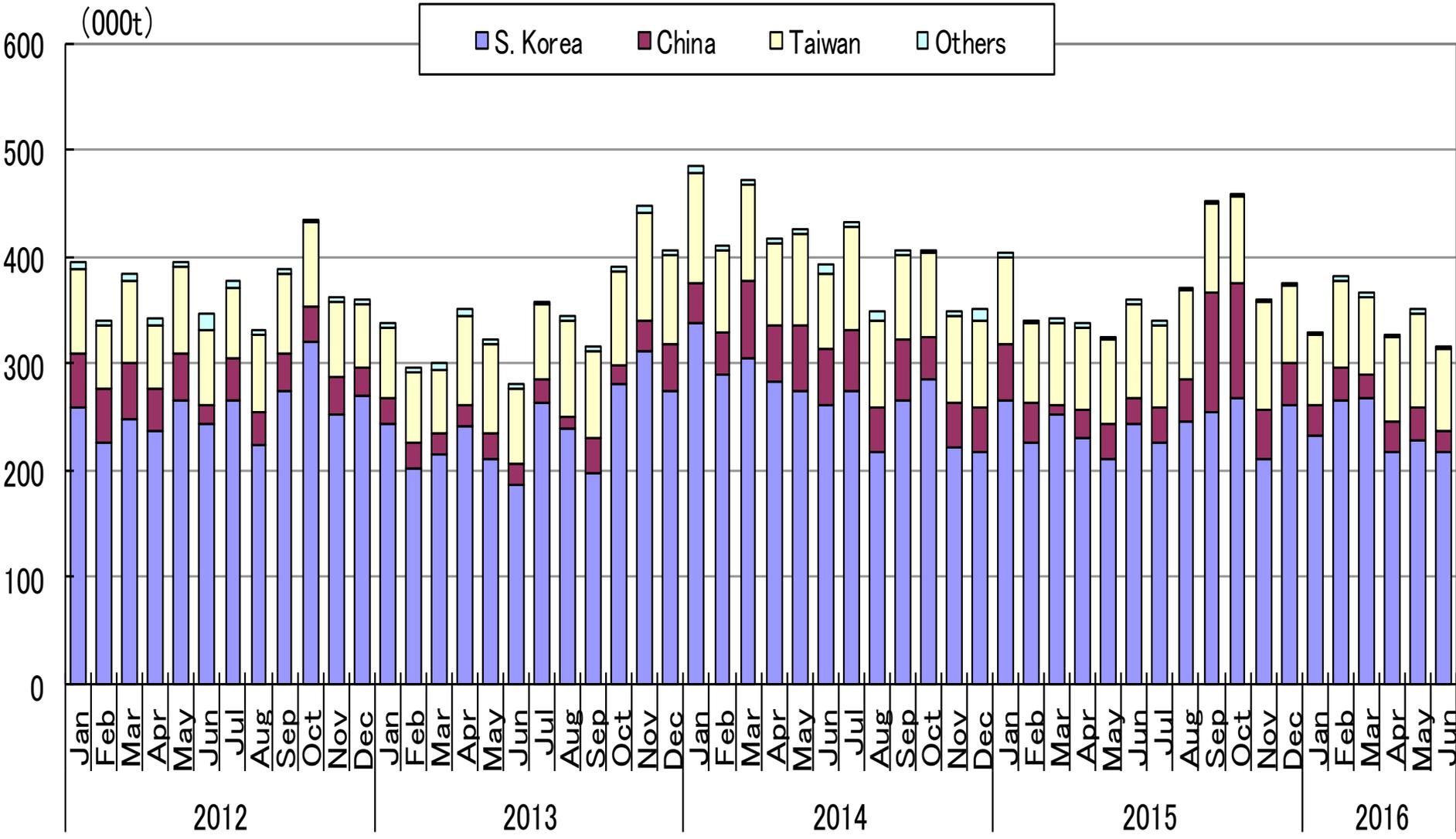
Inventories of Wide Flange Shapes





Domestic Market Environment

Trend of Import Steel (Ordinary Steel)





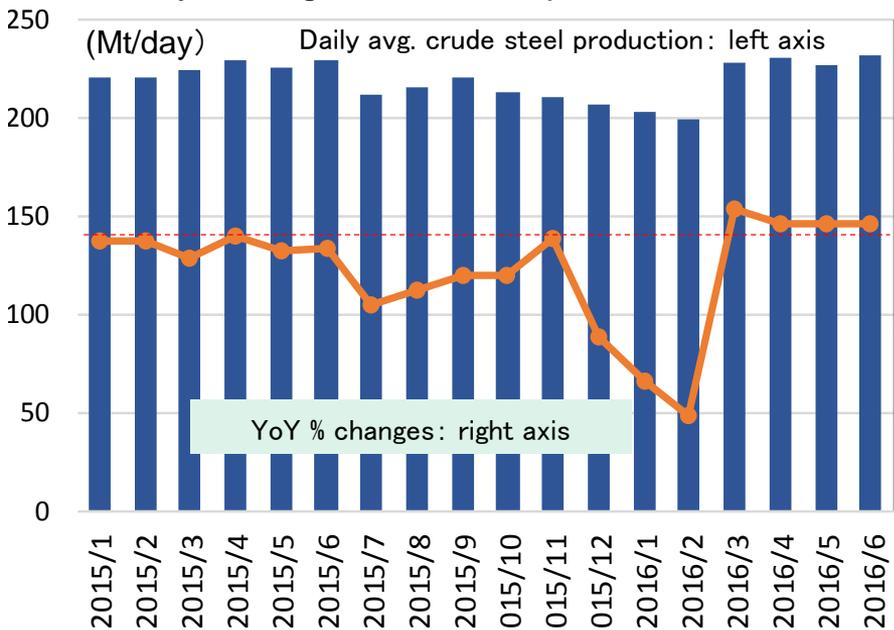
Current Business Environment (Overseas)

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Overseas Business Environment

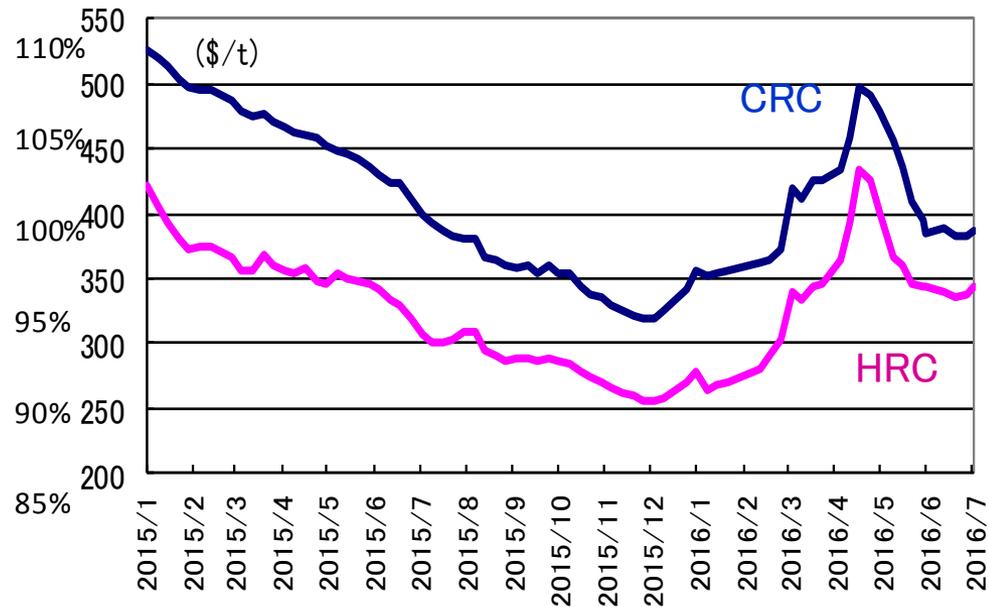
- We are seeing a sign of the action for structural adjustments of steel industry in China, but still need to watch the production trend continuously. Chinese steel mills again started to increase their production level with steel price recovery.
- The outlook remains unclear in overseas market. Steel sheet prices are showing signs of recovering after bottoming out as in China, but overall steel prices haven't reached a full-blown recovery due to the sluggish energy sector etc.

【Daily average crude steel production in China】



※Daily Average Production = Monthly Production / Dates

【Steel sheet market trend in China】



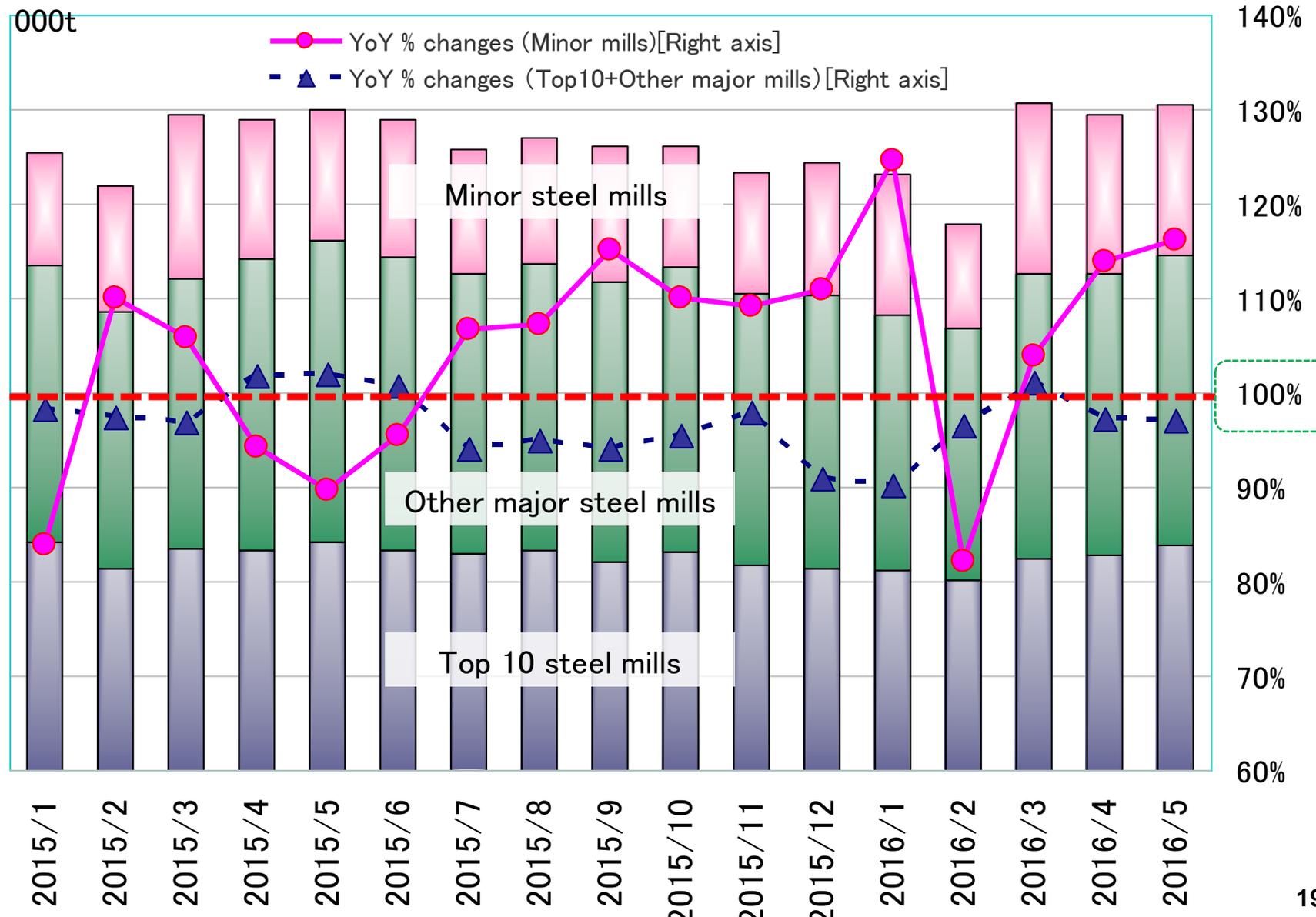
Source: Chinese spot basis

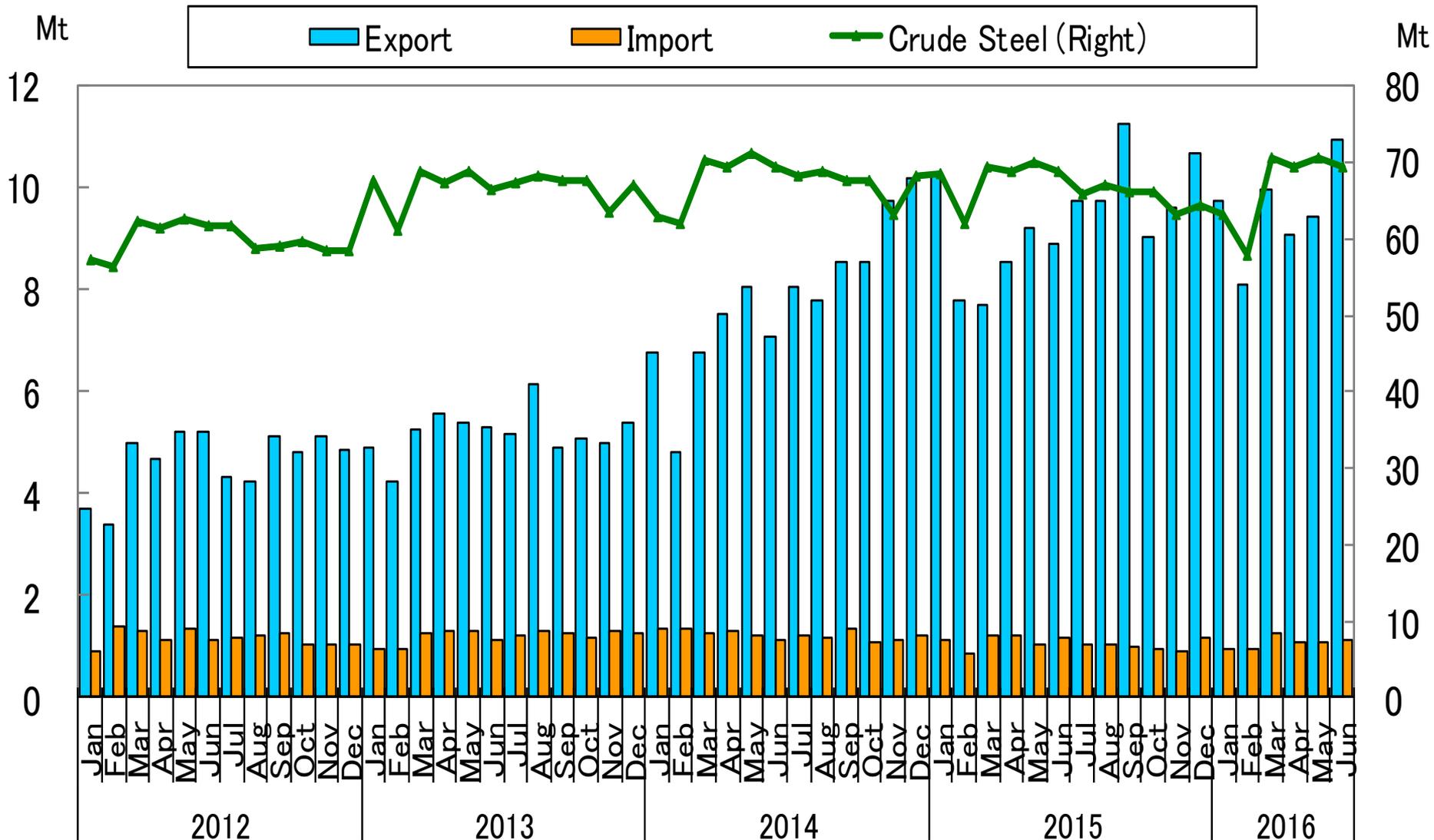


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80,000

Overseas
Market Environment

Crude Steel Production in China by Steel Mills





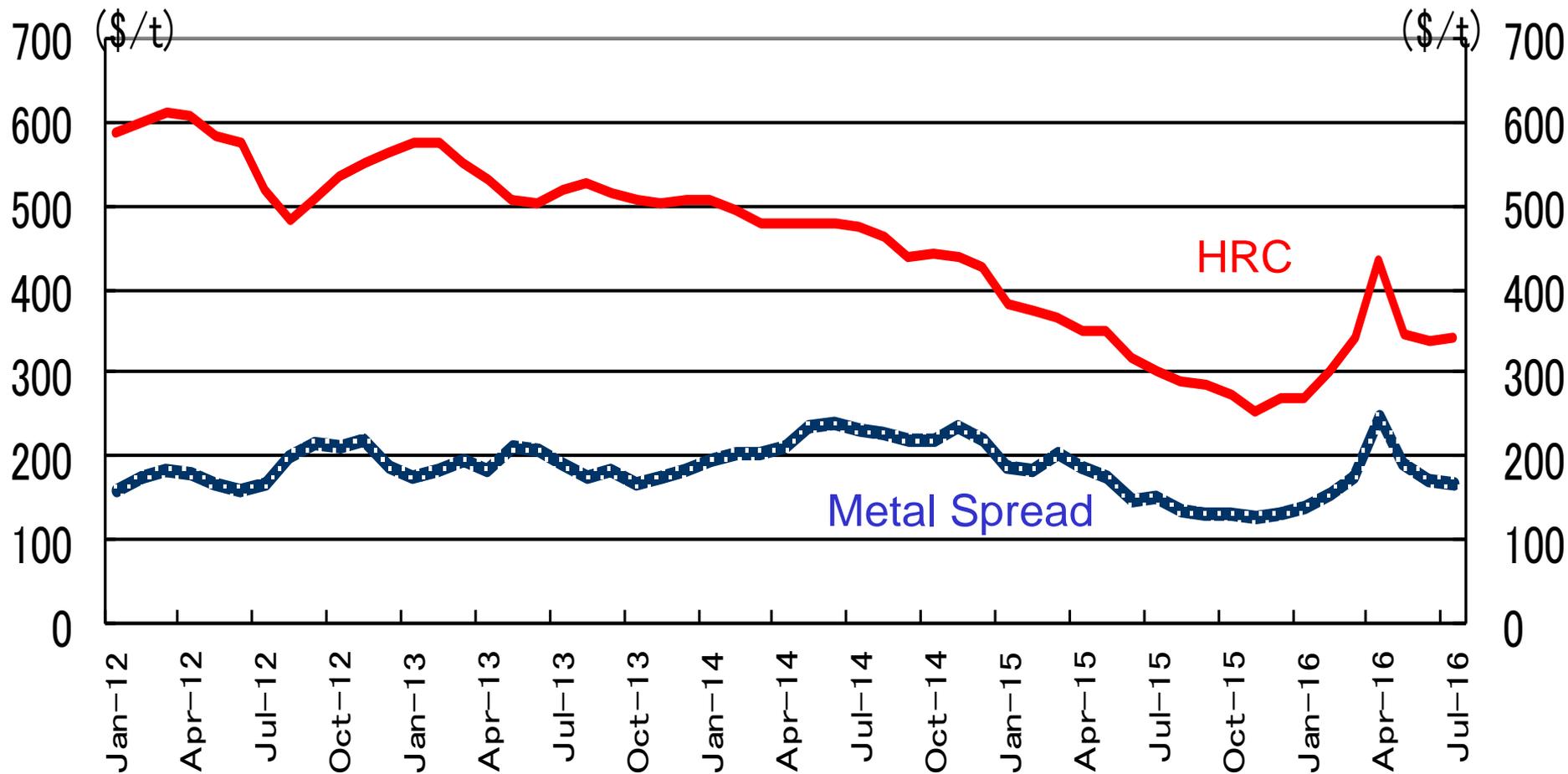
*Crude Steel in Jan and Feb, 2015: WSA's estimation



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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

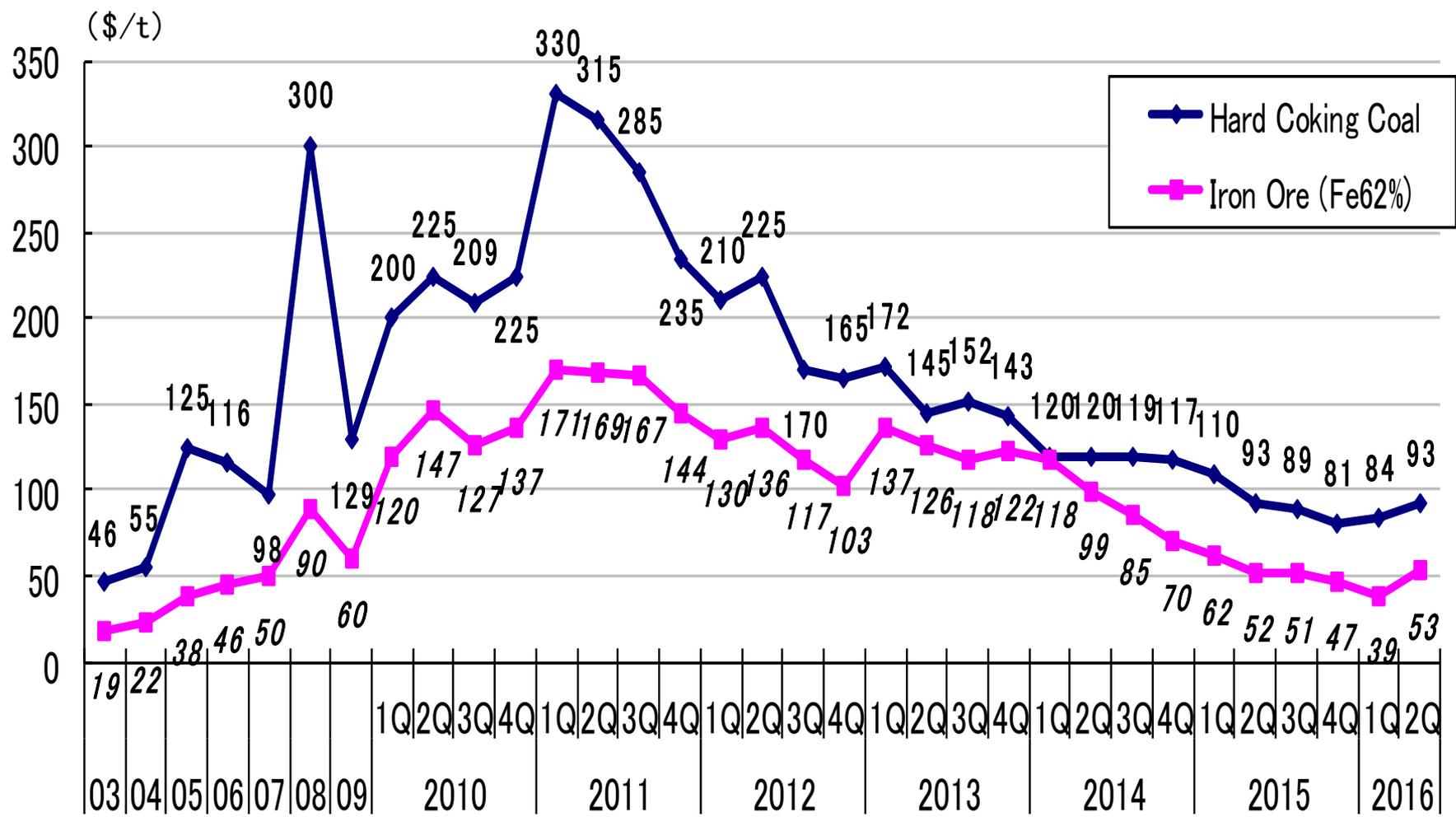
Raw Materials Cost: Calculated from market price of Iron Ore and Hard Coking Coal



Raw Materials

Raw Materials Price

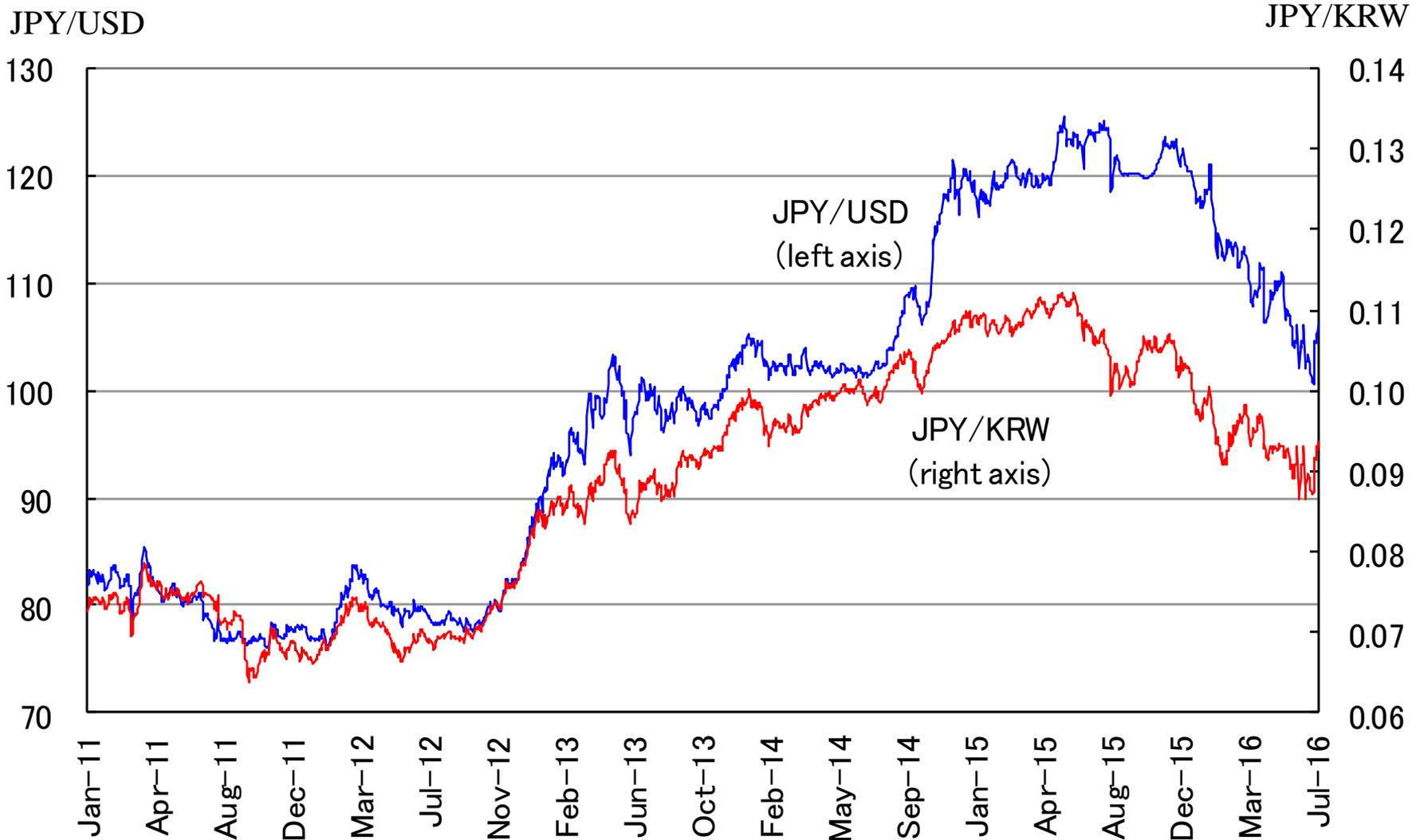
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Trend of exchange rate (against USD,KRW)

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Production and Shipment Forecasts

(million tons)

■ Crude Steel Production and Shipment (non-consolidated basis)

	FY2015	FY2016		
	(Actual)	1Q (Actual)	2Q (Forecast)	1H (Forecast)
Crude Steel	27.36	6.94	7.00	14.00
Shipment	25.39	6.26	6.70	13.00

Full
year
28.00

ASP (000yen/t) 66.8 58.5 58 58

Exchange Rate (yen/\$) 120.6 111.1 104 108

■ Crude Steel Production (consolidated basis)

Crude Steel	29.75	7.52	7.60	15.20
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Financial Forecasts for FY2016 of JFE Steel

(billion yen)

JFE Steel	FY2015			FY2016				Change 2015 → 2016
	1H	2H	(A)	1Q	1H	2H	(F)	
	(A)	(A)		(A)	(F)	(F)		
Net Sales	1,246.0	1,199.1	2,445.1	528.4	1,100.0			
Ordinary Income	38.6	(10.8)	27.8	(20.3)	(33.0)	53.0	20.0	(7.8)
ROS(*)	3.1%	-0.9%	1.1%	-3.8%	-3.0%	-	-	-

*Return on Sales: Ordinary Income / Net Sales

7.6 Billion Yen increase in JFE Steel's Ordinary Income (FY16 1Q(Actual) vs. FY16 2Q(Forecast))



(billion yen)

JFE Steel	FY2016(Forecast)			Change 1Q→2Q
	1Q	2Q	1H	
Ordinary Income	(20.3)	(12.7)	(33.0)	7.6

- Cost reduction + 1.0
- Volume and Product mix 0.0
- Sales and Raw materials - 4.0
- Inventory valuation + 35.0
- Others - 24.4

TOTAL + 7.6

22.2 Billion Yen decrease in JFE Steel's Ordinary Income (FY15 2H(Actual) vs. FY16 1H(Forecast))



(billion yen)

JFE Steel	FY15 2H (Actual)	FY16 1H (Forecast)	Change FY15 2H→FY16 1H
Ordinary Income	(10.8)	(33.0)	(22.2)

- Cost reduction + 7.0
- Volume and Product mix + 1.0
- Sales and Raw materials - 10.0
- Inventory valuation - 14.0
- Others - 6.2

TOTAL - 22.2

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

(billion yen)

JFE Steel	FY2016 (Forecast)			Change 1H→2H
	1H	2H	Total	
Ordinary Income	(33.0)	53.0	20.0	86.0

- Cost reduction + 7.0
- Volume and Product mix + 4.0
- Sales and Raw materials + 15.0
- Inventory valuation + 46.0
- Others + 14.0

TOTAL + 86.0

7.8 Billion Yen decrease in JFE Steel's Ordinary Income (FY15(Actual) vs. FY16(Forecast))



(billion yen)

JFE Steel	FY15 (Actual)	FY16 (Forecast)	Change FY15→FY16
Ordinary Income	27.8	20.0	(7.8)

■ Cost reduction	+ 30.0	
■ Volume and Product mix	- 5.0	⇒ Product mix etc.
■ Sales and Raw materials	- 40.0	
■ Inventory valuation	+ 23.0	
■ Others	- 15.8	⇒ Exchange loss from JPY appreciation etc.
TOTAL	- 7.8	

Progress of Fifth Medium-Term Business Plan

JFE Steel, Nucor to set up a Joint Venture Producing Auto Steel Sheet in Mexico

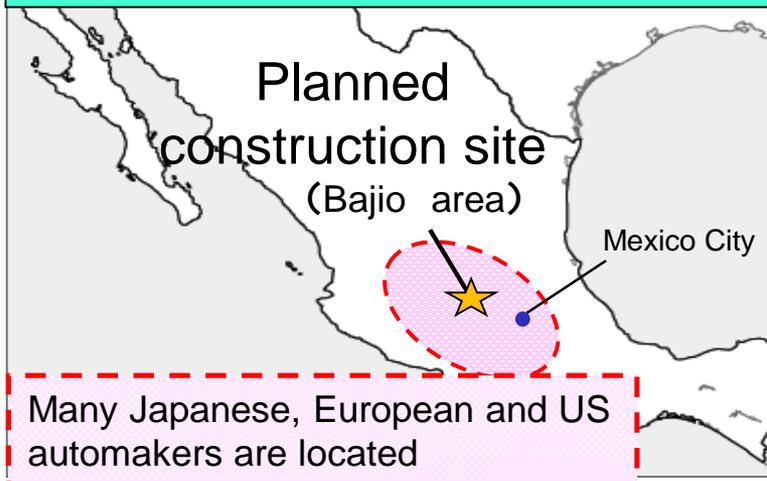
(announced on June 9, 2016)

JFE

Agreed to establish a joint venture in Mexico to manufacture and sell steel sheet for automobiles with Nucor Corporation, the largest steelmaker in the U.S.

⇒To capture growing demand of high quality auto steel sheet in Mexico

80% of automakers' production capacity in Mexico is concentrated in Central Mexico



Name	NUCOR-JFE STEEL MEXICO
Shareholders	JFE Steel Corporation 50% Nucor Corporation 50%
Product	Galvanized steel sheet for automobiles
Capacity	Approximately 0.4million tons per year
Construction Cost	Approximately USD 270 million
Production Start	2019

- ◆ NAFTA region constitute the world's 2nd largest auto market and the largest overseas production area for Japanese automakers
- ◆ The production volume of automobiles in Mexico is expected to increase from 3 million units in 2015 to 5 million units level in 2020.



Renovation and unification of the core system of all steel works

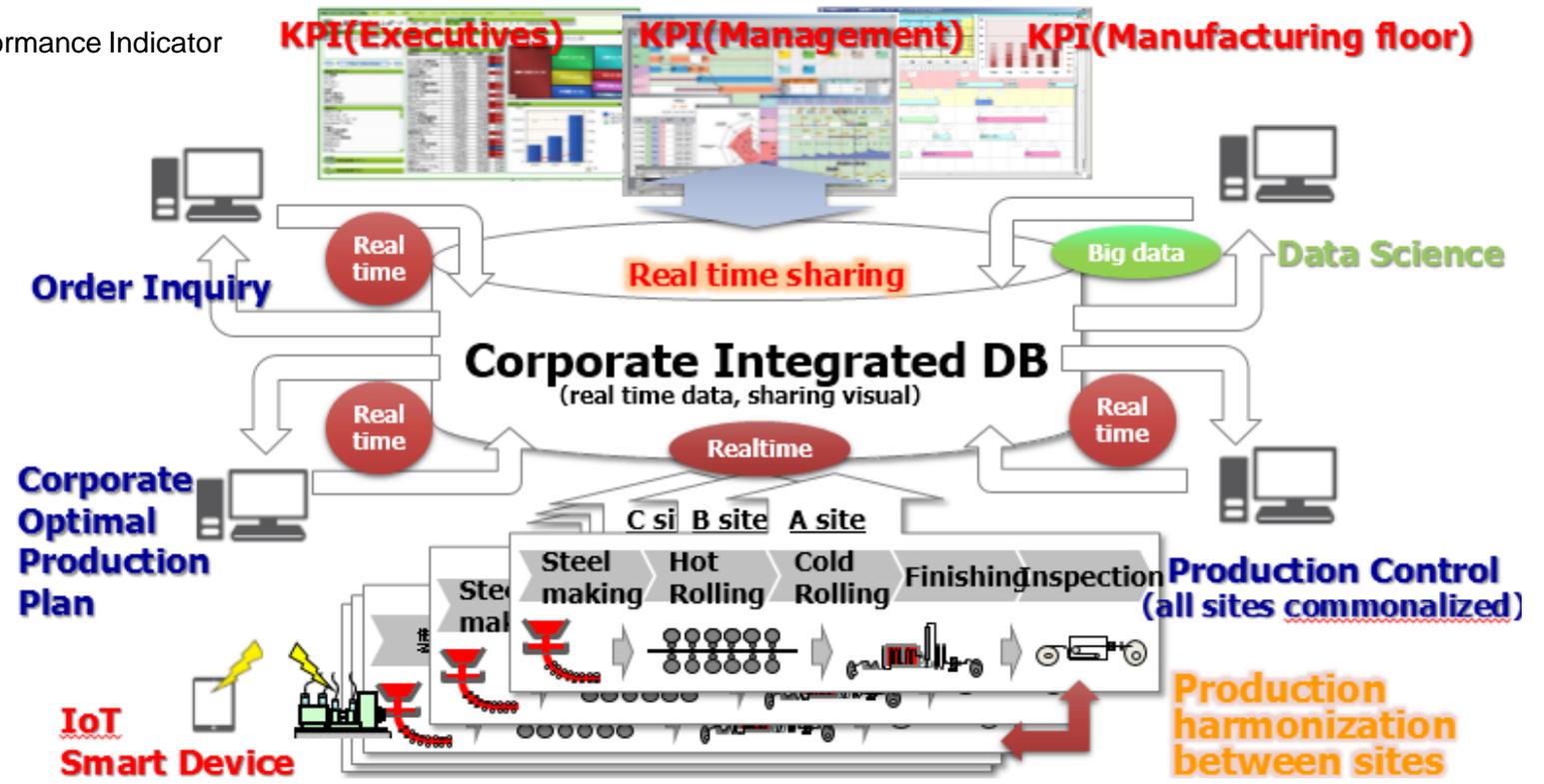
~Innovation of work-style through unifying business process~

(announced on June 7, 2016)

JFE

Construct virtual one steel works to unify business process through renovating and unifying the core system of all steel works in JFE Steel

KPI:Key Performance Indicator



- ◆To enhance our competitiveness including improvement of manufacturing technologies, sharing the technologies between sites, advance of quality and stabilization of facilities.
- ◆To advance human resource development and skill transfer through aggregation of technical know-how and knowledge in manufacturing floor.



JFE Engineering

Financial Forecasts

for Fiscal Year 2016

Financial Forecasts for FY16 of JFE Engineering

(billion yen)

	FY2015(A)		FY2016(F)		Change	Change
	1H	Full year	1H	Full year	1H	Full year
Orders	197.2	509.4	220.0		22.8	
Net Sales	153.5	397.5	180.0		26.5	
Ordinary Income	(0.0)	20.0	5.5	25.0	5.5	5.0

【Change】

(FY2015 1H to FY2016 1H)

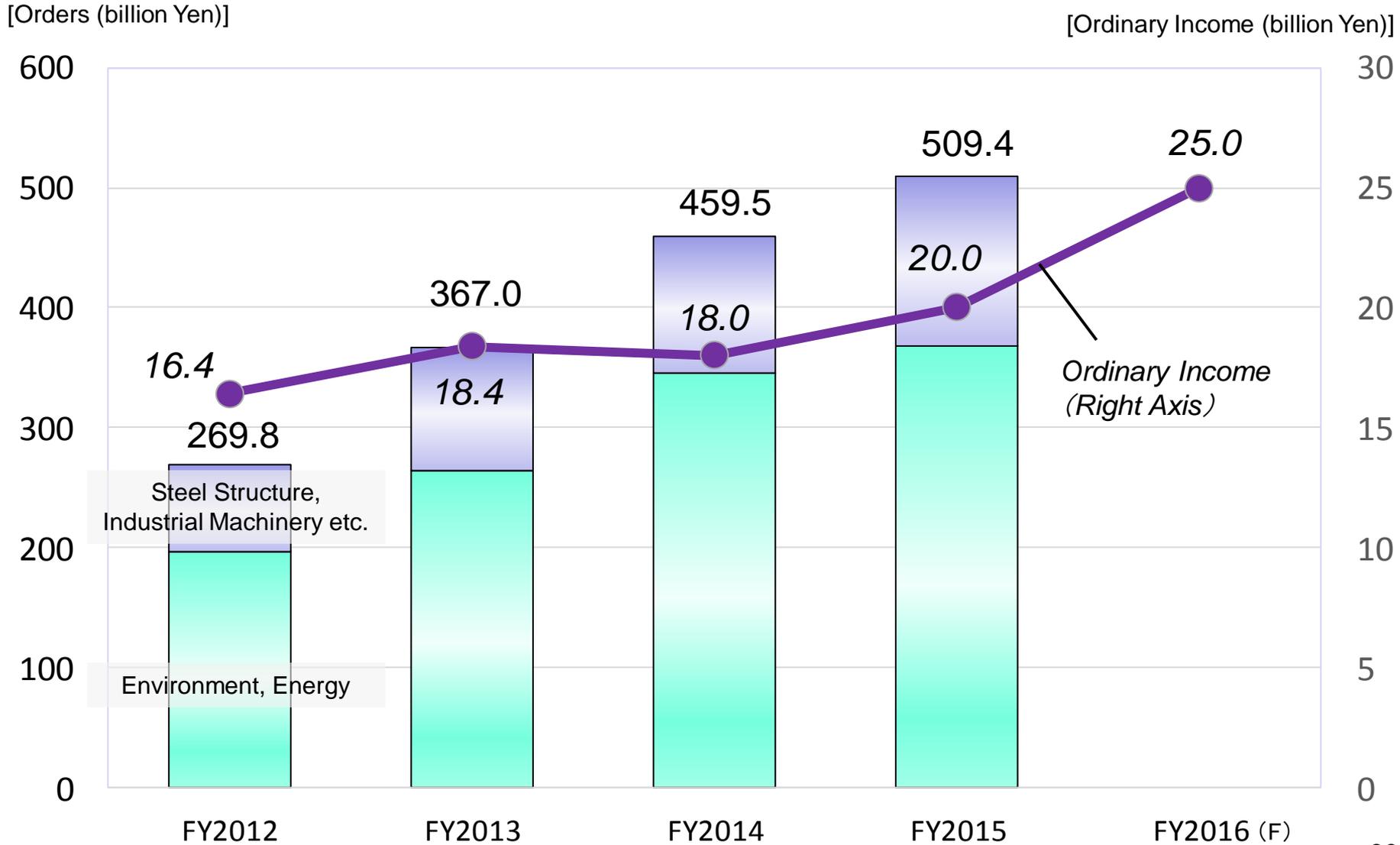
- Orders: +22.8 Increase in orders mainly related to environment and energy fields
- Net Sales: +26.5 Increase with orders increase
- Ordinary Income: +5.5 Increase with net sales increase

Classification of placed orders

(billion yen)

Category	FY2015 1H (A)	FY2016 1H (F)	Change	Main Orders (FY2016 1Q)
Environment, Energy	142.0	160.0	18.0	<ul style="list-style-type: none"> - Renovation work of waste incineration plant in Maebashi City - 1 Biomass power generation plant - 3 Solar power stations
Steel Structure, Industrial Machinery etc.	55.2	60.0	4.8	<ul style="list-style-type: none"> - Construction of a steel bridge in Yokkaichi Port - Construction of a steel bridge at Fuji-Yoshida I.C. of Chuo Expressway. - Transport equipment for a wharf - Install of Ballast water management system, "Ballast Ace", for 6 ships
Total	197.2	220.0	22.8	

Trend of Orders and Ordinary Income





Promotion of JFE HYPER REMOTE[®] for increasing orders

JFE

As the demand for construction and replacement of waste incineration plants is growing, will promote of JFE HYPER REMOTE[®] and expand the businesses

JFE HYPER REMOTE[®]

: The remote operation support system of waste incineration power plants

- To reduce operating costs and to prevent and minimize troubles by centralized control of operation at Remoter Service Center
- To maximize income from power sales by cooperation with PPS (Power Producer and Supplier)

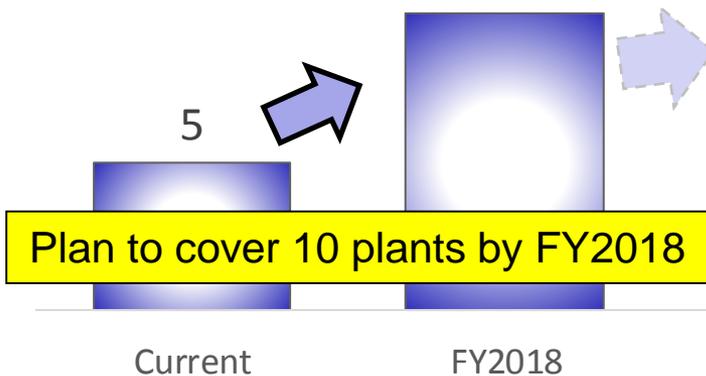


- **Reduction of operation costs by 20%**
- **Increase of income from power sales by 3%**

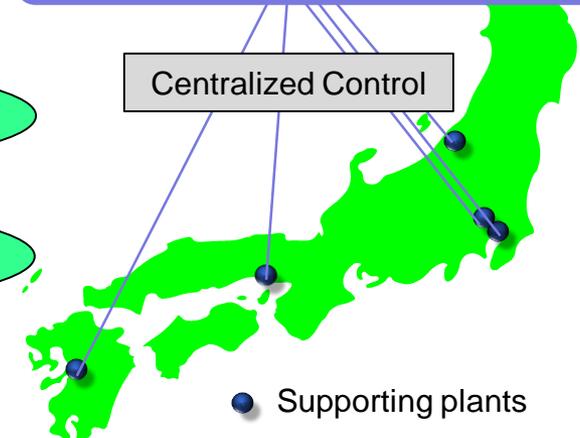


Remote Service Center at Yokohama Head Office

【The number of supporting plants】 10



- Increase the case of support
- Plan to sell overseas





JFE Shoji

Financial Forecasts for Fiscal Year 2016

Financial Forecasts for FY2016 of JFE Shoji

(billion yen)

	FY2015(A)		FY2016(F)		Change 1H	Change Full year
	1H	Full year	1H	Full year		
Net Sales	914.5	1,756.4	780.0		(134.5)	
Ordinary Income	9.8	15.7	7.5	20.0	(2.3)	4.3

【Ordinary Income Change: FY2015 1H to FY2016 1H】

- Decrease with sales price decrease and with influence of JPY appreciation

【Ordinary Income Change: FY2015 to FY2016】

- Increase with improvement of profitability of business overseas including Kelly Pipe, although there are negative impact of sales price decrease and influence of JPY appreciation

Net Sales of JFE Shoji (by Segment)



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(billion yen)		FY2015 1H (A)		FY2016 1H (F)		Change	
Domestic Business		462.3		421.4		(40.9)	
Overseas Business	Export	221.0	367.5	182.6	291.6	(38.4)	(75.9)
	Foreign Operation	146.5		109.0		(37.5)	
Raw Materials, Equipment etc.		84.7		67.0		(17.7)	
TOTAL		914.5		780.0		(134.5)	



JFE Holdings

Financial Forecasts

for Fiscal Year 2016

Financial Forecasts for Fiscal Year 2016



JFE

(billion yen)

	FY2015		FY2016		Change 1H	Change Full year
	1H	Full year	1H	Full year		
Net Sales	1,713.2	3,431.7	1,530.0		(183.2)	
Operating Income	49.4	90.6	(5.0)		(54.4)	
Non-operating Income	(1.0)	(26.3)	(15.0)		(14.0)	
Ordinary Income	48.3	64.2	(20.0)	65.0	(68.3)	0.8
Extraordinary Profit (Loss)	-	10.0	-		-	
Profit(Loss) Before Income Taxes	48.3	74.3	(20.0)		(68.3)	
Tax Expense and Profit Attributable to Non-controlling Interests	(18.4)	(40.6)	2.0		20.4	
Profit Attributable to Owners of Parent	29.9	33.6	(18.0)		(47.9)	
ROS(*)	2.8%	1.9%	(1.3%)		(4.1%)	

*Return on Sales: Ordinary Income / Net Sales

Underlying Profit before One-off Effects



JFE

(Billion yen)

	FY2015 Actual	FY2016 Forecast
Net Sales	3,431.7	-
Ordinary Income	64.2	65.0
ROS (*)	1.9%	-
One-off Effects	(78)	(46)
Underlying Profit before One-off Effects	140	110
ROS (*)	4.1%	-

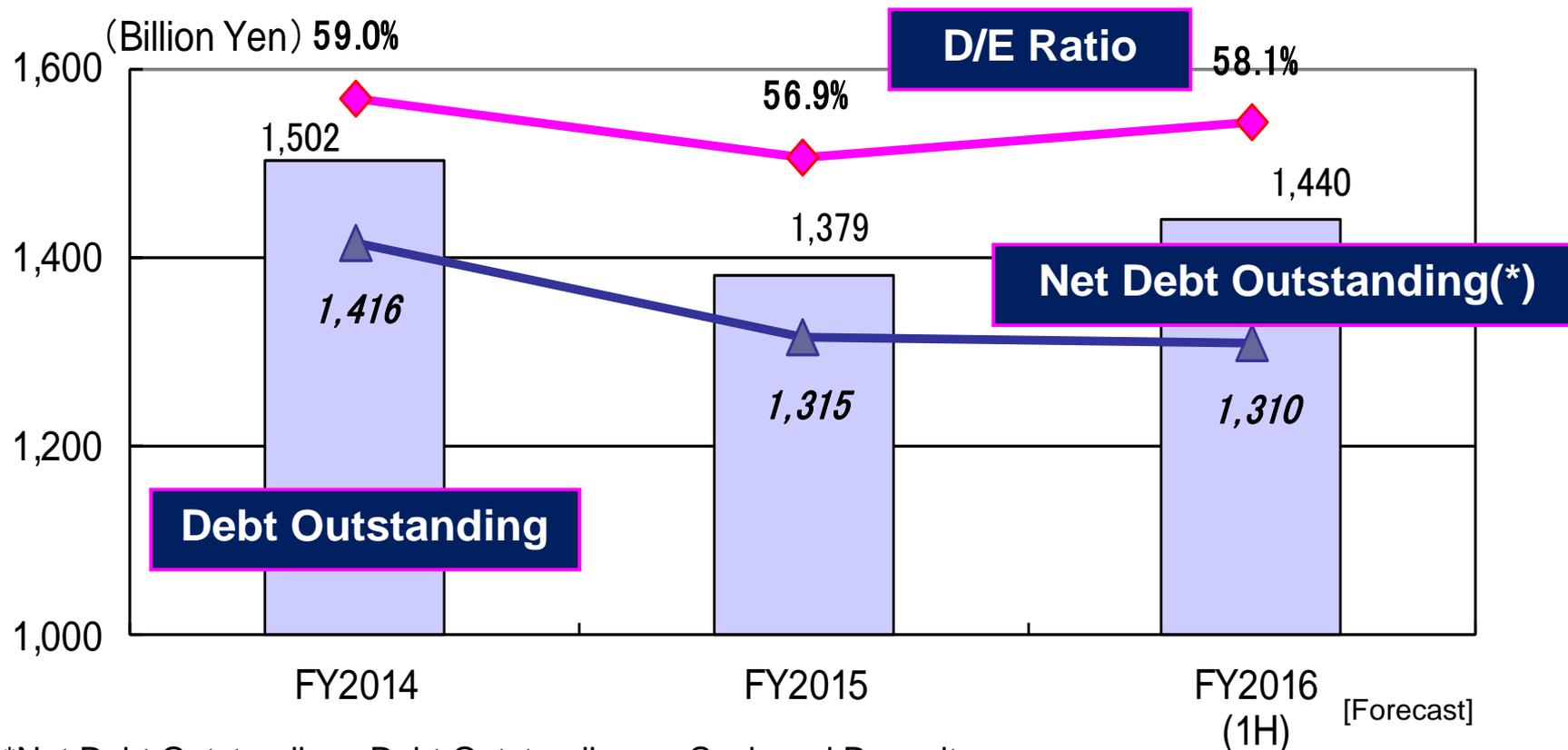
*Return on Sales: Ordinary Income / Net Sales



Debt Outstanding , D/E Ratio

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Debt Outstanding (forecast) at FY2016 1H-end will increase temporarily due to financing Subordinated Loan, but Net Debt Outstanding will decrease. Debt Outstanding at FY2016-end will decrease by asset sales etc.



*Net Debt Outstanding : Debt Outstanding — Cash and Deposit

Financing Subordinated Loan of 200 billion yen

(announced on June 15, 2016)



JFE

- Procure funds to promote further strengthening domestic manufacturing base and enhancing growth investment overseas in the fifth medium-term plan
- Contribute to improve JFE's financial strength without diluting its equity because the Loan is deemed to have equity equivalent nature by rating agencies
- To ensure both implementation of growth strategy and improvement of financial soundness with maintenance of capital efficiency

【Overview of the Loan】

Loan amount	200 billion yen	
Execution date	June 15, 2016	
Drawdown date	June 30, 2016	
Due date	June 30, 2076 All or part of the Loan can be prepaid after a lapse of 5 or 10 years from the Drawdown date	
Equity equivalence of the Loan by rating agencies	Moody's Investors Service, Inc.	50%
	Rating and Investment Information, Inc.	30%
	Japan Credit Rating Agency, Ltd.	25%

Dividends



Dividends

- 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.

Appendix



Main Financial Data

JFE

(Forecast)

	FY03	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16 (1H)
Ordinary Income (Bn. Yen)	218.3	502.9	400.5	69.2	165.8	52.9	52.2	173.6	231.0	64.2	(20.0)
ROS ※1	8.8%	14.2%	10.2%	2.4%	5.2%	1.7%	1.6%	4.7%	6.0%	1.9%	(1.3%)
ROE ※2	15.9%	17.5%	13.7%	3.3%	4.1%	(2.6%)	2.7%	6.3%	7.7%	1.8%	(2.0%)
ROA ※3	6.5%	13.0%	10.0%	2.2%	4.6%	1.7%	1.6%	4.5%	5.5%	1.7%	(0.3%)
Debt Outstanding	1,837	1,282	1,769	1,468	1,496	1,594	1,596	1,534	1,501	1,379	1,440
D/E Ratio ※4	246.2%	61.4%	98.9%	75.5%	76.5%	83.5%	76.9%	67.9%	59.0%	56.9%	58.1%
Net Income (yen/share)	185.8	450.6	355.6	86.4	110.7	(68.7)	71.2	177.4	241.6	58.4	(31.2)
Dividend (yen/share)	30	120	90	20	35	20	20	40	60	30	0
Pay-out Ratio	16.1%	26.6%	25.3%	23.1%	31.6%	—	28.1%	22.5%	24.8%	51.4%	—

※1 ROS = Ordinary income / Net sales ※2 ROE (full year) = Profit attributable to owners of parent / Shareholders' equity,

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

※3 ROA (full year) = Ordinary income before interest expense / Total assets (average),

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

※4 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

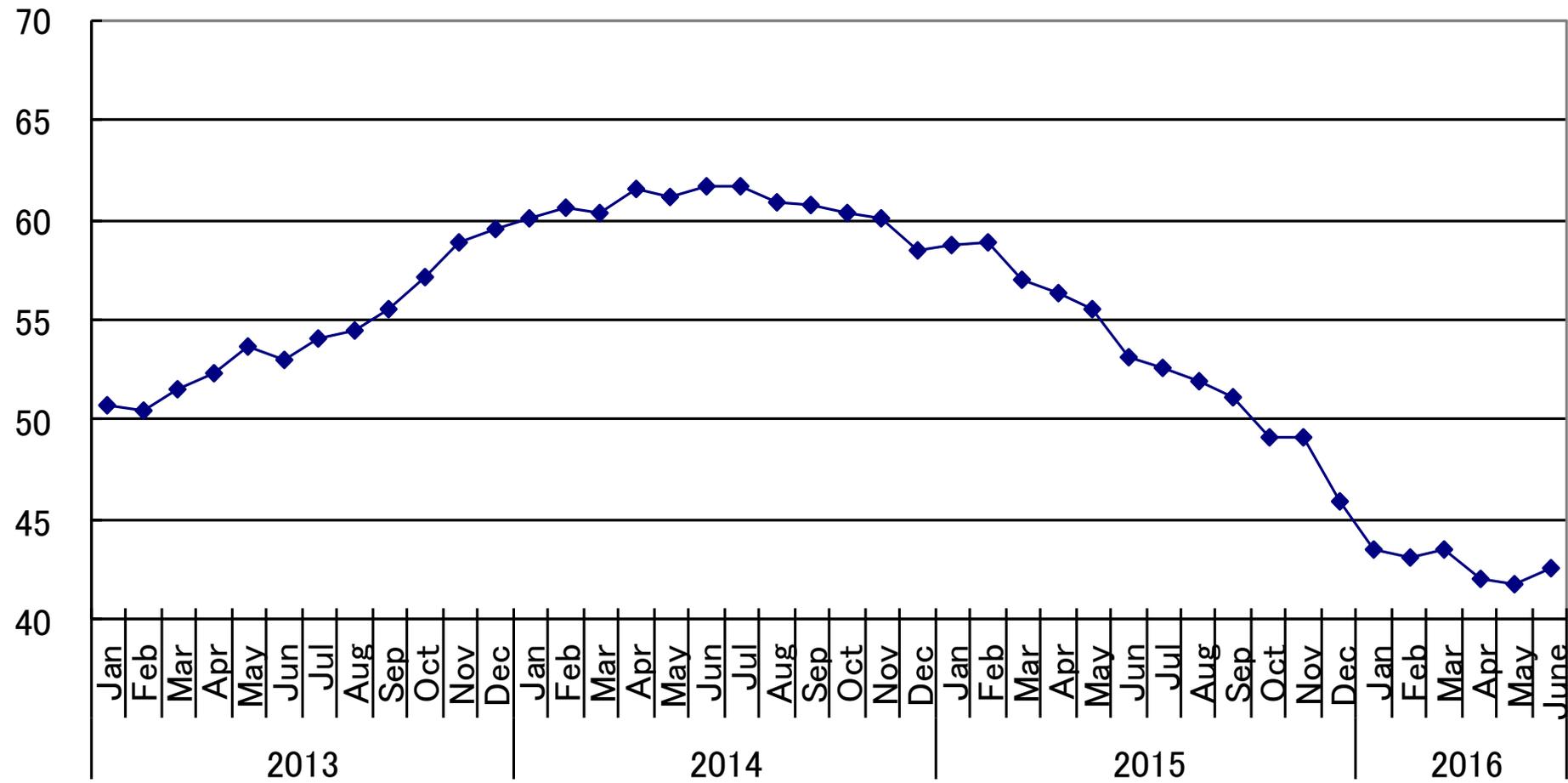


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Domestic Market Environment

Price Trend of Import Steel

(000 yen/ton)



Data: Japanese Steel Association

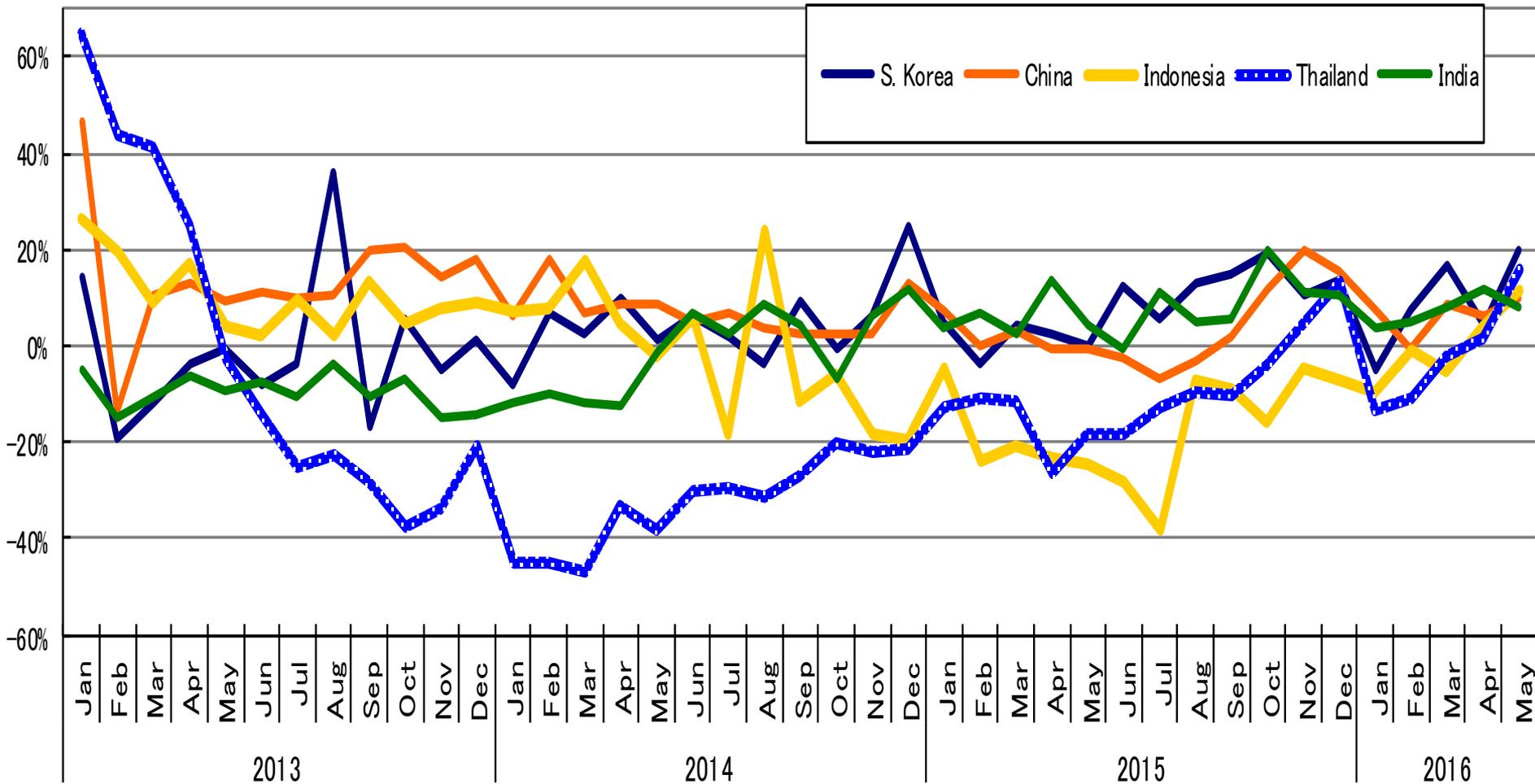
Import Steel from S. Korea



Overseas Market Environment

Auto Sales in Key Countries

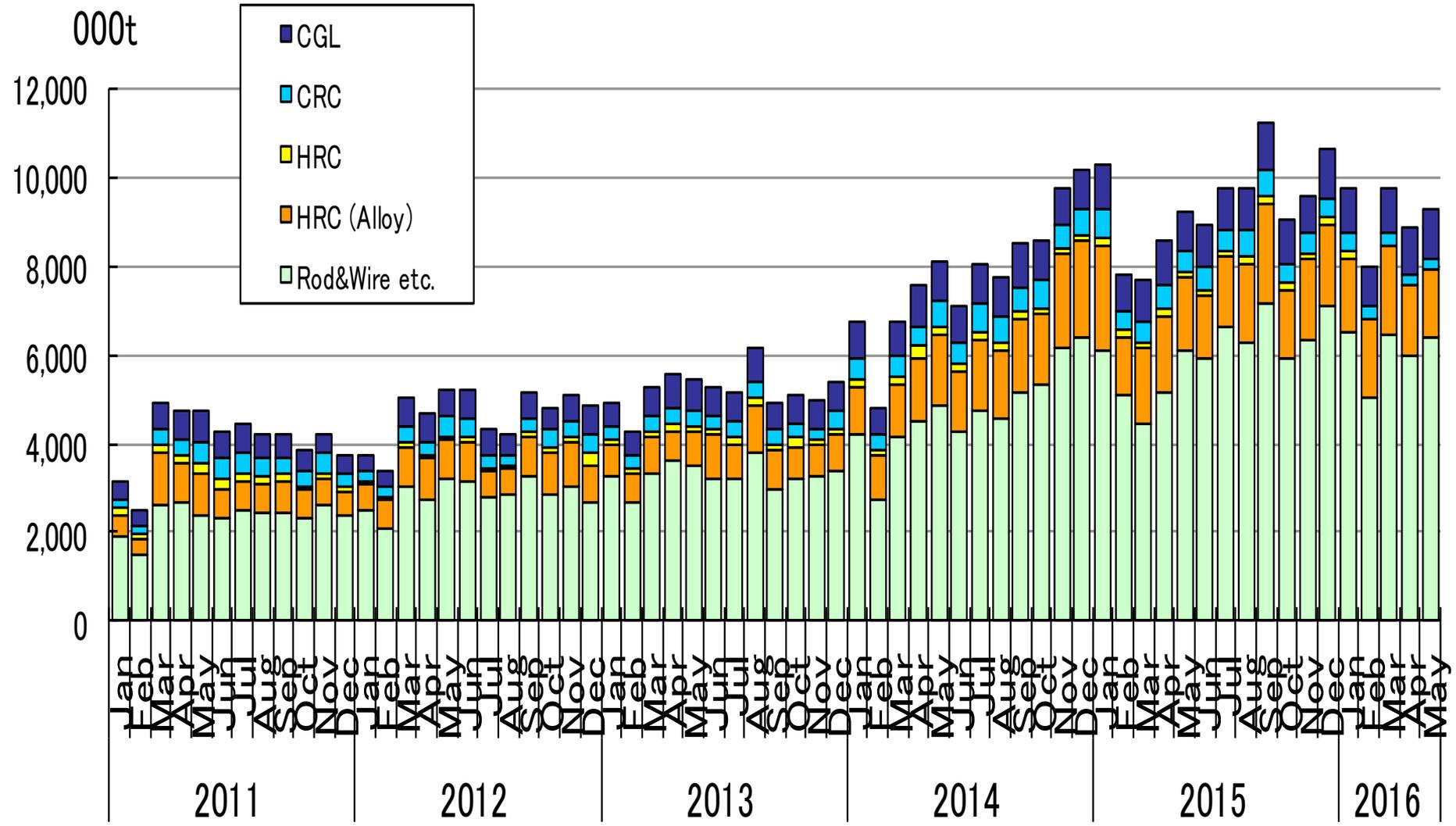
Automobile Sales in Key Countries (YoY Change)





Overseas Market Environment

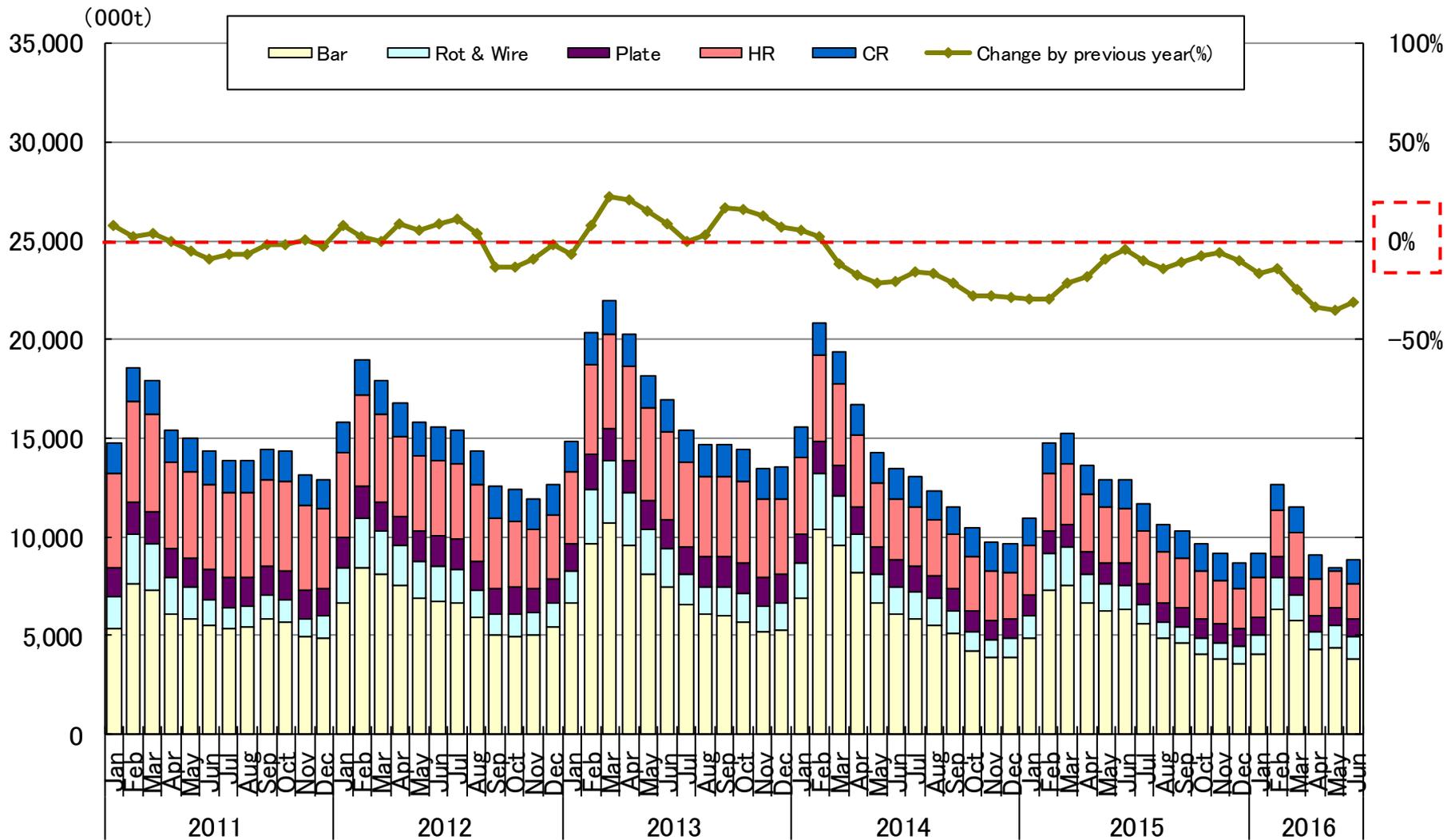
Exports from China by Products





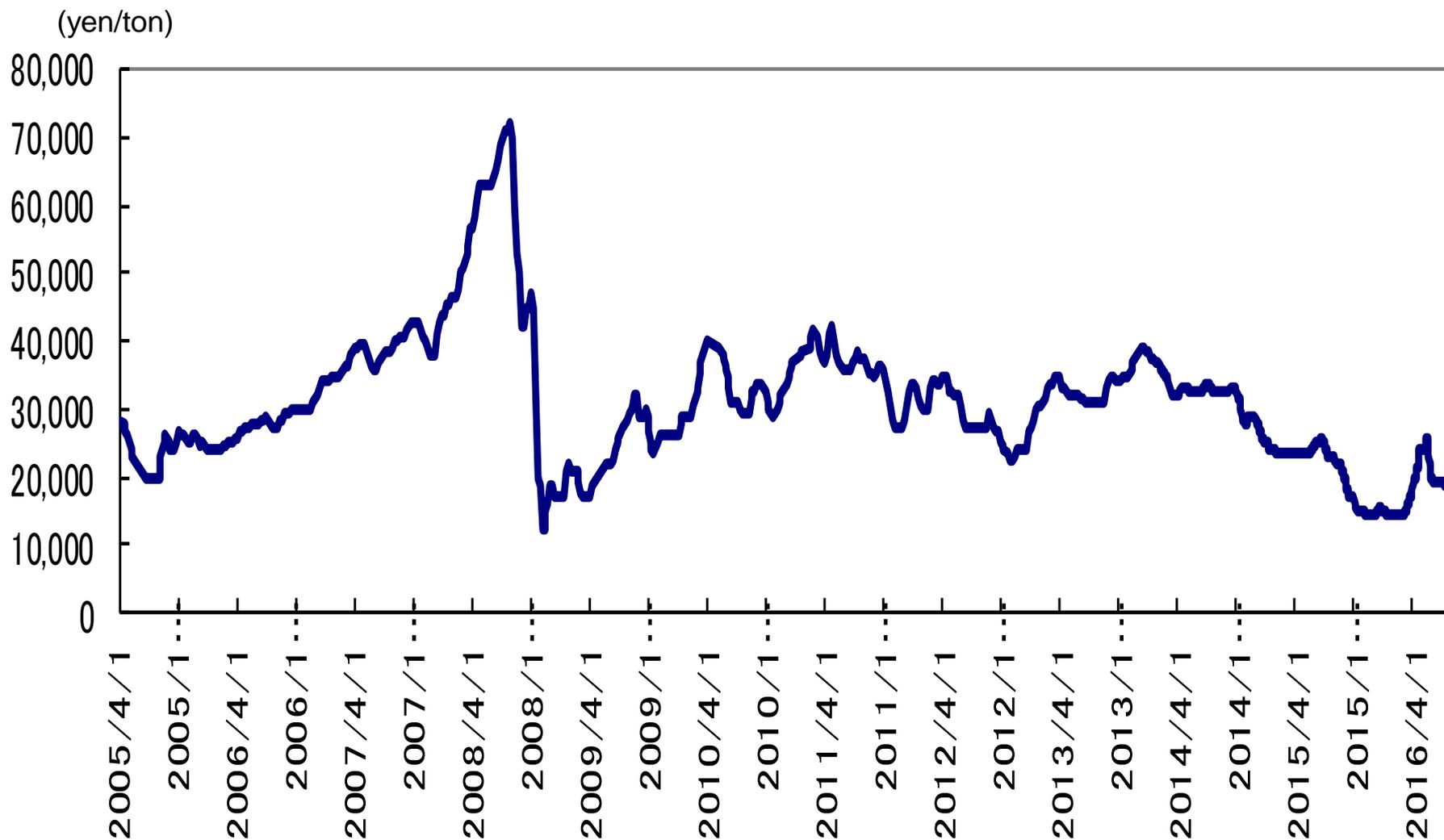
Overseas Market Environment

Inventories in China by Products



Raw Materials

Trend of Scrap Price



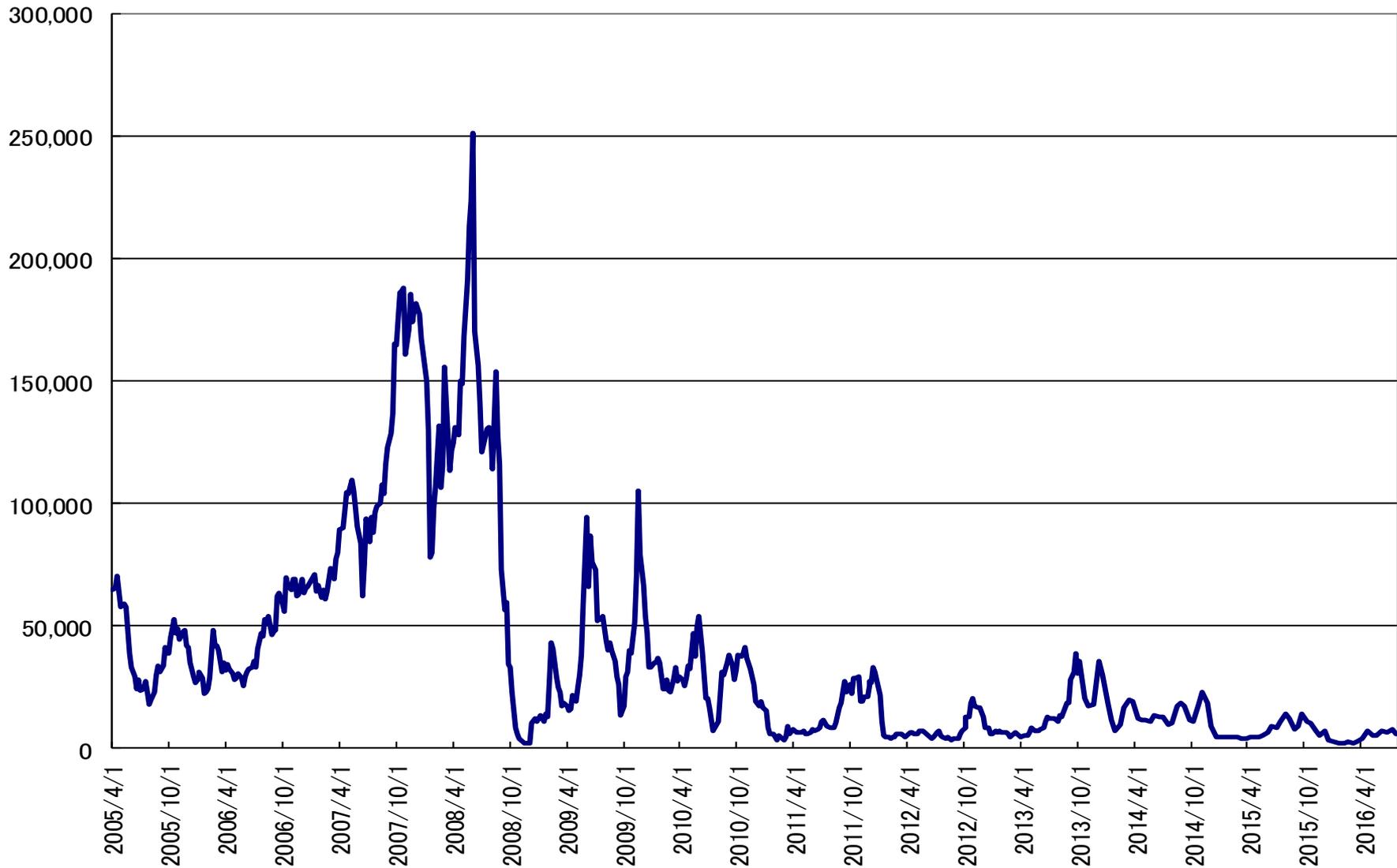


Raw Materials

Trend of Spot Bulker Price

JFE

(\$/day)

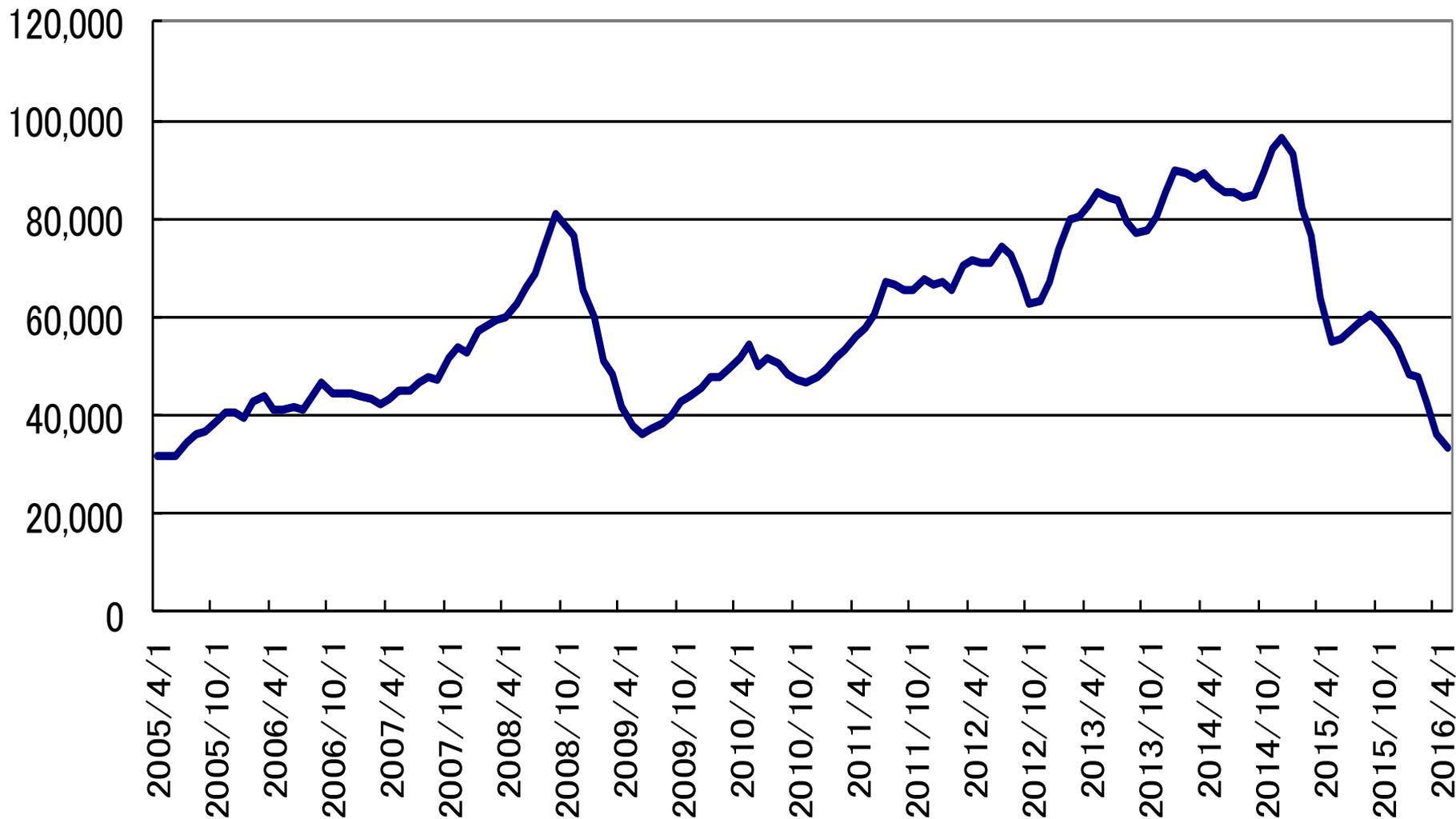


Raw Materials

Trend of LNG Price

JFE

(yen/ton)





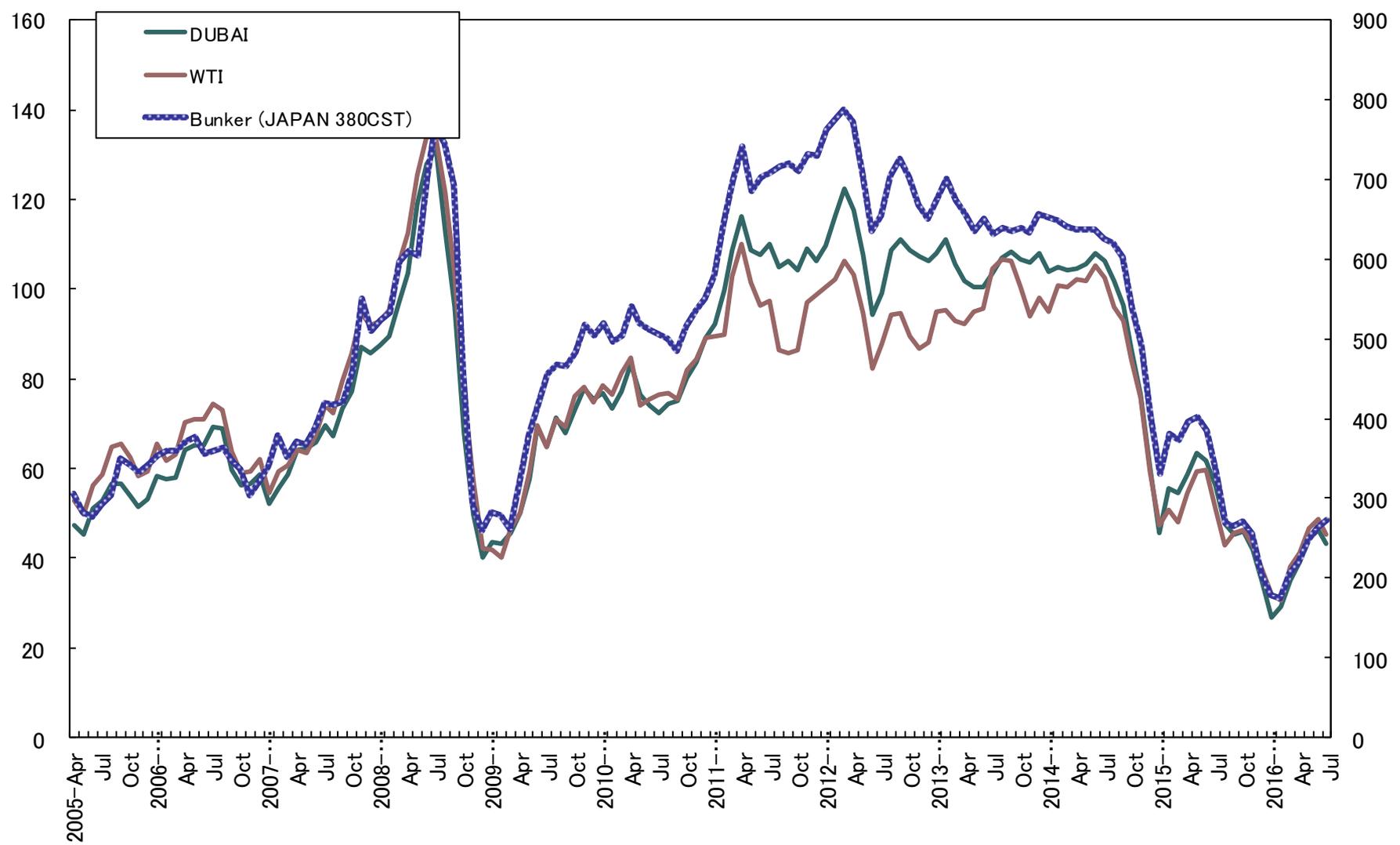
Raw Materials

Trend of Oil Price

JFE

(crude oil: \$/bbl)

(Bunker oil: \$/t)

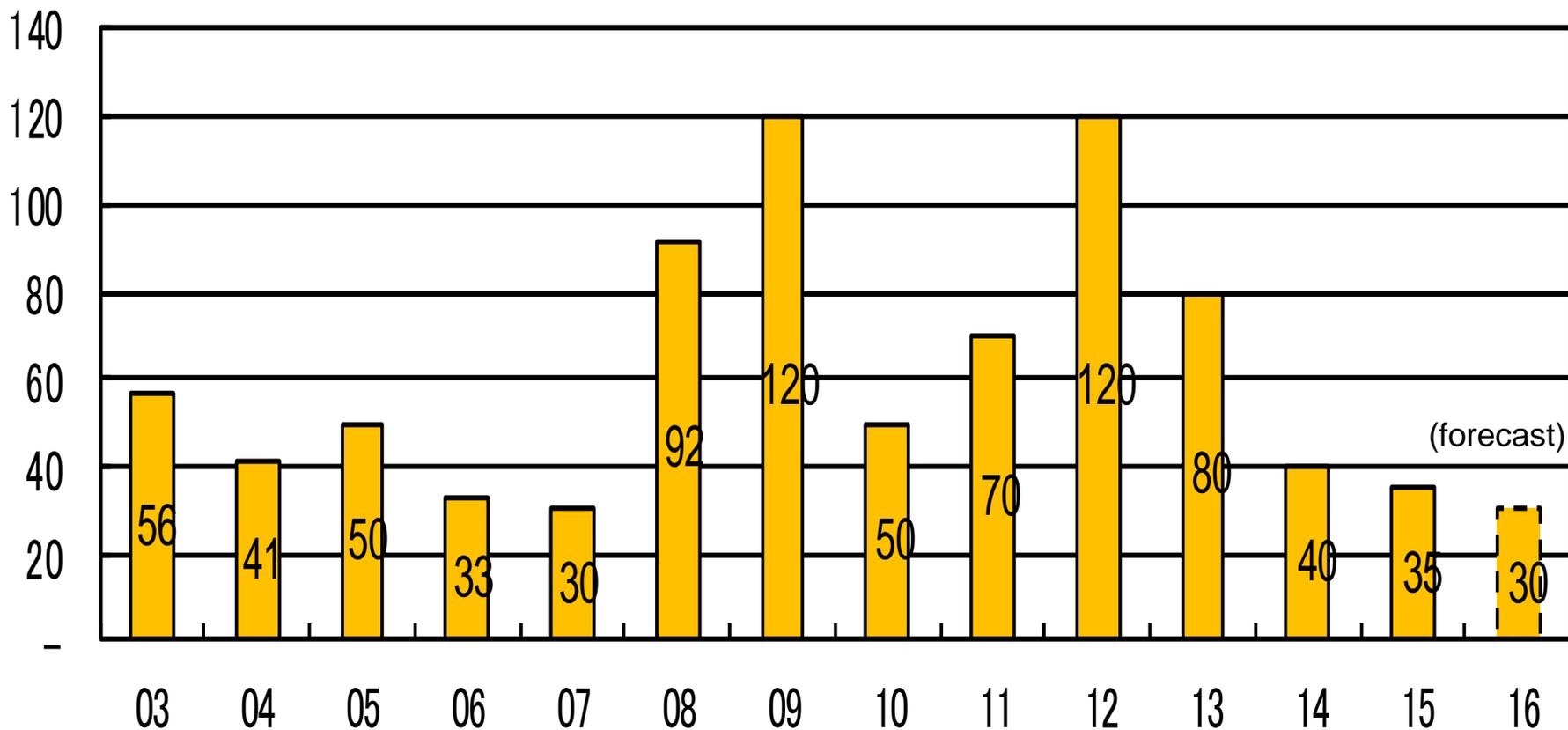




JFE

Cost Reduction (Steel Business)

(billion yen)



JFE Steel (non-consolidated basis)

41.8 billion Yen decrease in JFE Steel's Ordinary Income (FY15 1Q vs. FY16 1Q)



(billion yen)

JFE Steel	FY15 1Q	FY15 2Q	FY15 3Q	FY15 4Q	FY16 1Q	Change 1Q→1Q
Ordinary Income	21.5	17.1	2.2	(13.0)	(20.3)	(41.8)

- Cost reduction + 8.0
- Volume and Product mix + 3.0
- Sales and Raw materials - 18.0
- Inventory valuation - 23.0
- Others - 11.8

TOTAL
- 41.8

71.6 billion Yen decrease in JFE Steel's Ordinary Income (FY15 1H (Actual) vs. FY16 1H (Forecast))

(billion yen)

JFE Steel	FY15 1H Actual	FY16 1H Forecast	Change FY15 1H→FY16 1H
Ordinary Income	38.6	(33.0)	(71.6)

- Cost reduction + 13.0
- Volume and Product mix 0.0
- Sales and Raw materials - 50.0
- Inventory valuation - 10.0
- Others - 24.6

TOTAL - 71.6



Activities to expand business in energy field

JFE

- Demand for construction of gas pipeline and more efficient gas supply facilities is expected to increase with the retail liberalization of city gas in 2017
- To capture the growing demand with a lot of performance, unique developing technologies and proposals in Energy and Electric Power field which is account for almost 30% of JFE Engineering business

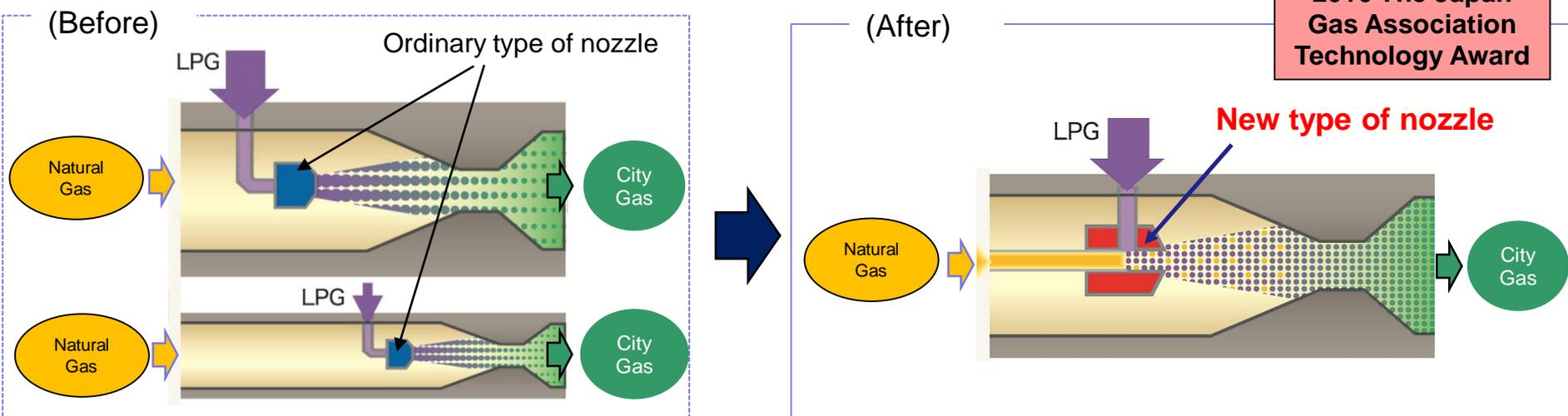
[TOPIC] Invention of Atomization Mixing System ("**AtoMS[®]**") (*)

- Succeed in using only single system to produce city gas, which enables **to decrease installation space by 40%** and **to reduce operating cost**



(Target orders)
5 billion yen
for 5 years

(*) To produce city gas, LPG with high calorie should be mixed to natural gas to control calorific value



4 systems have been adopted including Ishikari-Wan LNG base which is a domestic large LNG receiving base under construction by JFE Engineering



JFE