

JFE Holdings' Financial Results in First Half of Fiscal Year 2014 Ending March 31, 2015

— 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 28, 2014

Official name:	JFE Holdings, Inc.
Listings:	Tokyo and Nagoya stock exchanges
Code:	5411
English URL:	www.jfe-holdings.co.jp/en
Representative:	Hajime Bada, President and CEO
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Scheduled date to submit Quarterly Securities Report:	October 31, 2014
Dividend payment starting date:	November 28, 2014
Preparation of supplementary materials for quarterly results:	Yes
Quarterly results briefing:	Yes

(Figures are rounded down to the nearest million yen.)

1. Consolidated Results in First Half of Fiscal 2014 (April 1 to September 30, 2014)

(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 (%)	Net income (million yen)	Year-on-year change (%)	Net income per share (yen)	Net income per share [fully diluted] (yen)
1H FY 2014	1,848,057	6.9	82,105	39.1	91,971	23.6	52,352	9.5	90.75	-
1H FY 2013	1,728,328	18.8	59,005	430.0	74,387	-	47,789	-	82.81	-

Note: Comprehensive income: 89,545 million yen in 1H FY 2014 (down 17.6%)
108,646 million yen in 1H FY 2013 (-)

(2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)	Net assets per share (yen)
End 1H FY 2014	4,360,255	1,809,037	40.4	3,056.21
End FY 2013	4,241,700	1,745,930	40.1	2,950.61

Note: Shareholders' equity: 1,762,923 million yen as of September 30, 2014
1,702,120 million yen as of March 31, 2014

2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2013	40.00	20.00	20.00
FY 2014	-	20.00	-
FY 2014 (estimate)	-	-	-

Note: Revisions to dividend forecast announced most recently: No

3. Forecasts of Consolidated Financial Results in Fiscal 2014 (April 1, 2014 to March 31, 2015)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Net income (million yen)	Year-on-year change (%)	Net income per share (yen)
FY 2014	3,900,000	6.4	200,000	30.4	200,000	15.2	120,000	17.2	208.03

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: No
4. Number of outstanding shares (common stock)
 - 1) Outstanding shares at the end of term (including treasury stock)
 - As of September 30, 2014: 614,438,399 shares
 - As of March 31, 2014: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of September 30, 2014: 37,605,743 shares
 - As of March 31, 2014: 37,566,828 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 1H FY 2014: 576,856,619 shares
 - 1H FY 2013: 577,082,911 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.
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

The Japanese economy in the first half of fiscal 2014 (ended September 30, 2014) continued to recover moderately overall, although the falloff in demand has lasted longer than expected after the spike that occurred prior to the consumption tax hike in April. Meanwhile, uncertainties in the global economic outlook continued to pose a downward risk to the economy.

On a consolidated basis, JFE Holdings in the first half posted net sales of 1,848.0 billion yen, up 119.7 billion yen from the first half of last year. Operating income rose 23.1 billion yen to 82.1 billion yen and ordinary income increased 17.6 billion yen to 91.9 billion yen.

An impairment loss led to an extraordinary loss of 7.1 billion yen. Net income before income taxes and minority interests expanded 14.2 billion yen to 84.8 billion yen and net income of 52.3 billion yen was up 4.6 billion yen.

By segment, steel business posted net sales of 1,424.1 billion yen, up 129.2 billion yen, due to a quantity increase. Ordinary income rose 21.7 billion yen to 77.6 billion yen, helped by continued efforts to improve profitability.

Engineering business posted net sales of 144.6 billion yen, up 37.4 billion yen. Ordinary income dropped to 600 million yen due to changes in the mix of construction projects.

Trading business net sales increased 90.4 billion yen to 946.2 billion yen, aided by stronger domestic sales. Ordinary income rose to 11.4 billion yen.

(2) Consolidated Results Forecasts

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

In the steel business, domestic demand is forecast to be robust as the moderate economic recovery continues, although the domestic sales environment remains stagnant due to a falloff from the spike in demand prior to a hike in the nation's consumption tax, as well as additional tax burdens on companies. Meanwhile, overseas markets are forecast to remain unfavorable as a chronic oversupply of steel in China is still depressing steel prices, although the overseas sales environment is improving due to the weak yen. The steel business, while closely watching market trends to optimize production and marketing, will continue to take measures to ensure stable production. Ongoing efforts to improve earnings, including cost-cutting, are forecast to boost ordinary income to 160.0 billion yen, although certain negative factors, such as a loss on inventory valuations due to lower prices for primary raw materials, could impact profit.

Engineering business is expected to achieve ordinary income of 16.0 billion yen thanks to aggressive efforts to win more orders in a severely competitive market environment.

Trading business is expecting steady domestic sales of steel products. At present, ordinary income of 24.0 billion yen is forecast.

JFE Holdings' full-year consolidated forecasts include net sales of 3,900.0 billion yen, operating income of 200.0 billion yen, ordinary income of 200.0 billion yen and net income of 120.0 billion yen.

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. Changes in Accounting Policies, Accounting Estimates and Restatements

Application of the Accounting Standard for Retirement Benefits

Effective the first quarter of fiscal 2014, the JFE Group changed its method of calculating retirement benefit obligations and service costs by applying the provisions of Section 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 of May 17, 2012, hereinafter referred to as the Retirement Benefits Accounting Standard) and Section 67 of the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Statement No.25 of May 17, 2012, hereinafter referred to as the Guidance on Retirement Benefits). The method of determining the discount rate was revised to a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with transitional accounting as stipulated in Section 37 of the Retirement Benefits Accounting Standard, the effect of changes in accounting policies arising from initial application is reflected in retained earnings at the beginning of the first half of fiscal 2014.

As a result, in the beginning of the first half of fiscal 2014, retirement benefit liability increased 15,717 million yen, while retirement benefit assets decreased 6,363 million yen and retained earnings decreased 14,867 million yen. In addition, operating profit, ordinary profit and net income before taxes and other adjustments for the first half each increased by 591 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2014	As of September 30, 2014
(Assets)		
Current assets:		
Cash and deposits	62,913	65,456
Notes and accounts receivable	630,061	687,268
Merchandise and finished goods	336,216	344,961
Work in process	40,223	59,598
Raw materials and supplies	380,972	400,102
Other current assets	207,543	176,787
Allowance for doubtful accounts	(3,615)	(3,541)
Total current assets	1,654,315	1,730,633
Non-current assets:		
Property, plant and equipment:		
Machinery and equipment, net	584,619	576,319
Land	506,570	507,643
Other property, plant and equipment, net	507,958	509,836
Total property, plant and equipment	1,599,148	1,593,799
Intangible assets	52,680	53,005
Investments and other assets:		
Investments in securities	826,371	882,078
Other assets	116,209	107,443
Allowance for doubtful accounts	(7,024)	(6,704)
Total investments and other assets	935,555	982,817
Total non-current assets	2,587,385	2,629,622
Total assets	4,241,700	4,360,255

(million yen)

As of
March 31, 2014 **As of
September 30, 2014**

(Liabilities and shareholders' equity)

Current liabilities:

Notes and accounts payable	401,922	415,220
Short-term borrowings	283,125	372,935
Commercial paper	22,998	-
Current portion of corporate bonds	80,000	120,000
Allowances	7,819	6,274
Other current liabilities	309,228	322,997
Total current liabilities	1,105,094	1,237,427

Long-term liabilities:

Corporate bonds	205,000	145,000
Long-term borrowings	942,912	906,600
Allowances	65,265	63,620
Net defined-benefit liabilities	115,058	130,492
Other	62,438	68,078
Total long-term liabilities	1,390,675	1,313,791

Total liabilities	2,495,769	2,551,218
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(Net assets)

Shareholders' equity:

Common stock	147,143	147,143
Capital surplus	647,121	647,121
Retained earnings	965,204	991,076
Treasury stock, at cost	(178,977)	(179,044)
Total shareholders' equity	1,580,491	1,606,295

Accumulated other comprehensive income:

Net unrealized gains on securities	102,574	140,530
Net unrealized gains and losses on hedges	(411)	776
Net unrealized gains on revaluation of land	14,541	14,541
Translation adjustments	9,949	4,786
Accumulated adjustments for retirement benefits	(5,024)	(4,007)
Total accumulated other comprehensive income	121,628	156,627

Minority interests	43,810	46,113
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Total net assets	1,745,930	1,809,037
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Total liabilities and net asset	4,241,700	4,360,255
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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 2013	(million yen) First Half of Fiscal 2014
Net sales	1,728,328	1,848,057
Cost of sales	1,526,372	1,613,614
Gross profit	201,956	234,442
Selling, general and administrative expenses	142,950	152,336
Operating income	59,005	82,105
Non-operating income:		
Interest income	506	544
Dividend income	5,110	5,684
Foreign currency exchange gain	5,428	7,472
Equity in earnings of affiliates	14,836	9,198
Other	12,617	10,836
Total non-operating income	38,500	33,736
Non-operating expenses:		
Interest expense	6,928	7,165
Loss on disposal of fixed assets	5,707	6,448
Other	10,482	10,256
Total non-operating expenses	23,117	23,870
Ordinary income	74,387	91,971
Extraordinary losses:		
Impairment loss	-	7,107
Loss on liquidation of subsidiaries and affiliates	3,689	-
Total extraordinary loss	3,689	7,107
Income before income taxes and minority interests	70,698	84,864
Income taxes	21,306	30,025
Net income before minority interests	49,391	54,838
Minority interests	1,602	2,486
Net income	47,789	52,352

Consolidated Statements of Comprehensive Income (First Half)

	First Half of Fiscal 2013	(million yen) First Half of Fiscal 2014
Net income before minority interests	49,391	54,838
Other comprehensive income:		
Net unrealized gains on securities	35,566	36,948
Net unrealized gains and losses on hedges	(419)	1,341
Translation adjustments	7,774	(3,256)
Adjustments for retirement benefits	-	806
Share of other comprehensive income of affiliates accounted for using equity method	16,333	(1,133)
Total other comprehensive income	59,254	34,707
Comprehensive income:	108,646	89,545
(breakdown)		
Comprehensive income attributable to parent shareholder	105,804	87,351
Comprehensive income attributable to minority shareholders	2,841	2,194

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

There is no item this period.

(4) Notes In Case of Significant Changes to Shareholders' Equity

There is no item this period.

4. Reference

(1) Consolidated Results in First Half and Earnings Forecasts for Fiscal 2014

(billion yen)

	FY2013		FY2014		Change	
	1H	Full year	1H	Full year*	1H	Full year*
Steel Business	1,294.9	2,691.6	1,424.1	2,910.0	129.2	218.4
Engineering Business	107.2	284.1	144.6	360.0	37.4	75.9
Trading Business	855.8	1,781.3	946.2	2,010.0	90.4	228.7
Adjustments	(529.7)	(1,090.2)	(667.0)	(1,380.0)	(137.3)	(289.8)
Net Sales	1,728.3	3,666.8	1,848.0	3,900.0	119.7	233.2
Operating Income	59.0	153.3	82.1	200.0	23.1	46.7
Non-operating Income (Expenses)	15.3	20.3	9.8	0	(5.5)	(20.3)
Steel Business	55.9	126.2	77.6	160.0	21.7	33.8
Engineering Business	2.1	18.4	0.6	16.0	(1.5)	(2.4)
Trading Business	10.4	21.5	11.4	24.0	1.0	2.5
Adjustments	5.9	7.3	2.2	0	(3.7)	(7.3)
Ordinary Income (Loss)	74.3	173.6	91.9	200.0	17.6	26.4
Extraordinary Profit (Loss)	(3.6)	(13.1)	(7.1)	(10.0)	(3.5)	3.1
Income Before Income Taxes and Minority Interests	70.6	160.5	84.8	190.0	14.2	29.5
Tax Expense and Minority Interest	(22.9)	(58.1)	(32.5)	(70.0)	(9.6)	(11.9)
Net Income	47.7	102.3	52.3	120.0	4.6	17.7

*estimate

(2) Consolidated Financial Indices

	Fiscal 2013	Fiscal 2014 (estimate)	Change
Return on Sales (ROS) ¹	4.7%	5.1%	0.4%
Return on Assets (ROA) ²	4.5%	5.0%	0.5%
Debt Outstanding	1,534.0 billion yen	1,520.0 billion yen	(14.0 billion yen)
Shareholders' Equity	1,702.1 billion yen	1,810.0 billion yen	107.9 billion yen
D/E Ratio ³	67.9%	63.6%	(4.3%)

¹ ROS = Ordinary income / Net sales

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

³ 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 2013	Non-consolidated	7.05	7.24	14.29	7.15	7.23	14.38	28.67
	Consolidated	7.82	7.97	15.79	7.88	7.92	15.80	31.58
FY 2014	Non-consolidated	7.14	7.35	14.50				
	Consolidated	7.87	8.01	15.88				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2013		6.15	6.42	12.57	6.33	6.62	12.95	25.52
FY 2014		6.41	6.62	13.04				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2013		51.0	48.5	49.7	47.0	47.2	47.1	48.4
FY 2014		46.2	49.3	47.8				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2013		97.7	98.3	98.0	99.6	103.4	101.5	99.8
FY 2014		102.4	102.7	102.5				

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2013		73.4	75.7	74.6	76.6	77.0	76.8	75.7
FY 2014		77.9	75.6	76.7				

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

(billion yen)

FY 2014 450.0* 22.6% increase from previous year

*estimate

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

(JFE Holdings on consolidated basis)

Debt outstanding

As of (billion yen)

March 31, 2014 1,534.0

March 31, 2015 1,520.0*

Interest expense

(billion yen)

FY 2013 -13.9

FY 2014 -14.0*

Cash and deposits

As of (billion yen)

March 31, 2014 62.9

March 31, 2015 60.0*

*estimate

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

(billion yen)

	FY 2013	FY 2014	
Capital investment	175.7	200.0*	(on construction basis)
Depreciation	181.3	180.0*	

*estimate

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

a. First half of FY 2014, compared to same period of FY 2013

(billion yen)

		<u>1H of FY 2013</u>	⇒	<u>1H of FY 2014</u>
Ordinary income	21.7	55.9	⇒	77.6
Sales volume, prices and raw materials	65.0			
Cost reductions	20.0			
Unrealized gains on inventories and others	(63.3)			

b. FY 2014 (forecast), compared to FY 2013

(billion yen)

		<u>FY 2013</u>	⇒	<u>FY 2014</u>
Ordinary income	33.8	126.2	⇒	160.0
Sales volume, prices and raw materials	110.0			
Cost reductions	40.0			
Unrealized gains on inventories and others	(116.2)			

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