

JFE Holdings' Financial Results in First Half of Fiscal Year 2017 Ending March 31, 2018

— 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)

November 1, 2017

| | |
|---|---|
| Official name: Listings: Code: English URL: Representative: Contact: Phone: Scheduled date to submit Quarterly Securities Report: Scheduled date to start paying dividends: 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 Hidetsugu Tawara, Manager, Public Relations Section, Investor Relations and Corporate Communications Department +81-3-3597-3842 November 7, 2017 November 30, 2017 Yes Yes |
|---|---|

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

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

(1) Consolidated Operating Results (cumulative total)

| | Net sales (million yen) | Year-on-year change (%) | Operating profit (loss) (million yen) | Year-on-year change (%) | Ordinary profit (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) |
|------------|----------------------------|----------------------------|--|----------------------------|---|----------------------------|---|----------------------------|--------------------------------------|---|
| 1H FY 2017 | 1,725,305 | 15.1 | 96,556 | - | 101,464 | - | 87,038 | - | 150.95 | - |
| 1H FY 2016 | 1,499,588 | (12.5) | 4,050 | (91.8) | (10,125) | - | (8,417) | - | (14.60) | - |

Note: Comprehensive income: 75,652 million yen in 1H FY 2017 (-)
(65,081 million yen) in 1H FY 2016 (-)

(2) Consolidated Financial Position

| | Total assets (million yen) | Net assets (million yen) | Equity capital ratio (%) |
|----------------|-------------------------------|-----------------------------|-----------------------------|
| End 1H FY 2017 | 4,343,233 | 1,978,825 | 44.2 |
| End FY 2016 | 4,336,069 | 1,921,809 | 43.0 |

Note: Shareholders' equity: 1,921,095 million yen as of September 30, 2017
1,865,836 million yen as of March 31, 2017

2. Dividends

| | Dividend per share (yen) | | |
|--------------------|--------------------------|---------|----------|
| | | Interim | Year-end |
| FY 2016 | 30.00 | 0.00 | 30.00 |
| FY 2017 (estimate) | - | 30.00 | - |

Note: Revisions to dividend forecast announced most recently: No
The year-end dividend and the total dividend are not yet determined.

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

| | Net sales (million yen) | Year-on-year change (%) | Operating profit (million yen) | Year-on-year change (%) | Ordinary profit (million yen) | Year-on-year change (%) | Profit attributable to owners of parent (million yen) | Year-on-year change (%) | Net income (loss) per share (yen) |
|---------|----------------------------|----------------------------|-----------------------------------|----------------------------|----------------------------------|----------------------------|--|----------------------------|--------------------------------------|
| FY 2017 | 3,650,000 | 10.3 | 210,000 | 117.1 | 200,000 | 136.0 | 150,000 | 120.8 | 260.15 |

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: No
 - 2) Changes other than 1) above: Yes
 - 3) Changes in accounting estimates: Yes
 - 4) Restatements: NoNote: For more details, see "Changes in Accounting Estimates" and "Change in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates" on page 6 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, 2017: 614,438,399 shares
 - As of March 31, 2017: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of September 30, 2017: 37,854,565 shares
 - As of March 31, 2017: 37,829,548 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 1H FY 2017: 576,597,569 shares
 - 1H FY 2016: 576,716,832 shares

This document is not subject to quarterly review procedures.

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.
2. Notes to the financial results can be viewed at the JFE Holdings website.

Attachments

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1. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(million yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|--|-------------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 69,936 | 64,457 |
| Notes and accounts receivable – trade | 798,058 | 763,177 |
| Merchandise and finished goods | 313,368 | 344,166 |
| Work in progress | 50,834 | 64,076 |
| Raw materials and supplies | 408,728 | 423,868 |
| Other current assets | 169,336 | 169,471 |
| Allowance for doubtful accounts | (1,416) | (1,197) |
| Total current assets | 1,808,846 | 1,828,020 |
| Non-current assets: | | |
| Property, plant and equipment: | | |
| Machinery, equipment and vehicles, net | 654,918 | 680,977 |
| Land | 496,678 | 495,973 |
| Other, net | 499,282 | 498,881 |
| Total property, plant and equipment | 1,650,879 | 1,675,832 |
| Intangible assets | 78,368 | 79,099 |
| Investments and other assets: | | |
| Investments securities | 372,196 | 322,740 |
| Shares of subsidiaries and associates | 349,864 | 361,408 |
| Other assets | 78,867 | 79,451 |
| Allowance for doubtful accounts | (2,953) | (3,318) |
| Total investments and other assets | 797,975 | 760,281 |
| Total non-current assets | 2,527,222 | 2,515,212 |
| Total assets | 4,336,069 | 4,343,233 |

(million yen)

As of
March 31, 2017 **As of
September 30, 2017**

Liabilities
Current liabilities:

| | | |
|------------------------------------|-----------|------------------|
| Notes and accounts payable – trade | 446,645 | 418,897 |
| Short-term loans payable | 204,379 | 318,172 |
| Commercial papers | 8,000 | 22,000 |
| Current portion of bonds | 50,000 | 15,000 |
| Provision | 9,290 | 6,174 |
| Other current liabilities | 321,142 | 322,163 |
| Total current liabilities | 1,039,458 | 1,102,407 |

Non-current liabilities:

| | | |
|-------------------------------|-----------|------------------|
| Bonds payable | 75,000 | 70,000 |
| Long-term loans payable | 1,038,089 | 933,272 |
| Provision | 48,516 | 50,643 |
| Net defined benefit liability | 123,745 | 127,981 |
| Other non-current liabilities | 89,450 | 80,102 |
| Total non-current liabilities | 1,374,801 | 1,262,000 |

| | | |
|--------------------------|------------------|------------------|
| Total liabilities | 2,414,259 | 2,364,407 |
|--------------------------|------------------|------------------|

Net assets**Shareholders' equity:**

| | | |
|----------------------------|-----------|------------------|
| Capital stock | 147,143 | 147,143 |
| Capital surplus | 646,582 | 646,609 |
| Retained earnings | 1,126,633 | 1,196,376 |
| Treasury shares | (178,853) | (178,903) |
| Total shareholders' equity | 1,741,505 | 1,811,224 |

Accumulated other comprehensive income:

| | | |
|---|---------|----------------|
| Valuation difference on available-for-sale securities | 112,545 | 96,942 |
| Deferred gains or losses on hedges | (544) | 1,083 |
| Revaluation reserve for land | 16,321 | 16,289 |
| Foreign currency translation adjustment | (3,596) | (5,544) |
| Remeasurements of defined benefit plans | (395) | 1,098 |
| Total accumulated other comprehensive income | 124,330 | 109,870 |

| | | |
|---------------------------|--------|---------------|
| Non-controlling interests | 55,972 | 57,730 |
|---------------------------|--------|---------------|

| | | |
|-------------------------|------------------|------------------|
| Total net assets | 1,921,809 | 1,978,825 |
|-------------------------|------------------|------------------|

| | | |
|---|------------------|------------------|
| Total liabilities and net assets | 4,336,069 | 4,343,233 |
|---|------------------|------------------|

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

Consolidated Statements of Income (First Half)

| | First Half of Fiscal 2016 | (million yen) First Half of Fiscal 2017 |
|---|------------------------------|---|
| Net sales | 1,499,588 | 1,725,305 |
| Cost of sales | 1,339,423 | 1,466,404 |
| Gross profit | 160,164 | 258,900 |
| Selling, general and administrative expenses | 156,113 | 162,343 |
| Operating profit | 4,050 | 96,556 |
| Non-operating income: | | |
| Interest income | 551 | 660 |
| Dividend income | 5,798 | 4,716 |
| Share of profit of entities accounted for using equity method | 3,454 | 12,857 |
| Other | 9,332 | 10,585 |
| Total non-operating income | 19,136 | 28,819 |
| Non-operating expenses: | | |
| Interest expenses | 6,022 | 6,553 |
| Foreign exchange losses | 9,834 | - |
| Loss on retirement of non-current assets | 9,028 | 7,646 |
| Other | 8,427 | 9,712 |
| Total non-operating expenses | 33,312 | 23,911 |
| Ordinary profit (loss) | (10,125) | 101,464 |
| Extraordinary income | | |
| Gain on sales of investment securities | 3,537 | 23,152 |
| Total extraordinary income | 3,537 | 23,152 |
| Extraordinary losses | | |
| Expenses for treatment of PCB waste | - | 3,850 |
| Total extraordinary losses | - | 3,850 |
| Profit (loss) before income taxes | (6,587) | 120,766 |
| Income taxes | (203) | 30,873 |
| Profit (loss) | (6,384) | 89,893 |
| Profit attributable to non-controlling interests | 2,033 | 2,854 |
| Profit (loss) attributable to owners of parent | (8,417) | 87,038 |

Consolidated Statements of Comprehensive Income (First Half)

| | First Half of Fiscal 2016 | (million yen) First Half of Fiscal 2017 |
|--|------------------------------|---|
| Profit (loss) | (6,384) | 89,893 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | (10,935) | (15,267) |
| Deferred gains or losses on hedges | 1,303 | 535 |
| Foreign currency translation adjustment | (19,665) | (2,959) |
| Remeasurements of defined benefit plans, net of tax | 984 | 1,514 |
| Share of other comprehensive income of entities accounted for using equity method | (30,384) | 1,936 |
| Total other comprehensive income | (58,697) | (14,240) |
| Comprehensive income: | (65,081) | 75,652 |
| (breakdown) | | |
| Comprehensive income attributable to owners of parent | (65,652) | 72,583 |
| Comprehensive income attributable to non-controlling interests | 570 | 3,069 |

(3) Notes to Consolidated Financial Statements

Notes Pertaining to the Presumption of a Going Concern

There is no item for this period.

Notes In Case of Significant Changes in Stockholders' Equity

There is no item for this period.

Changes in Accounting Estimates

Expenses for treatment of PCB waste

JFE Holdings has revised its estimated expenses for treatment of polychlorinated biphenyl (PCB) waste due to improved treatment and estimation methods. The first half consolidated financial statements record the difference between the previous and current estimates of expenses for treatment of PCB waste as an extraordinary loss, resulting in a decrease of 3,850 million yen in net income before income taxes.

Change in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates

Change in Depreciation Method for Property, Plant and Equipment

Effective the first quarter of fiscal 2017, JFE Holdings began primarily applying the straight-line method to depreciate property, plant and equipment (excluding leased assets) instead of the declining balance method that the company had been using primarily. The company made the change because its steelmaking facilities are expected to enjoy stable production, as stated below, so the straight-line method was deemed more appropriate for allocating the costs of assets. The change in the depreciation method increased operating profit by 11,114 million yen and both ordinary profit and profit before income taxes by 11,106 million yen each.

The steel business is forecast to enjoy strong demand in Japan for some years to come, supported by projects related to the Tokyo 2020 Olympic and Paralympic Games. In the long run, however, Japan's declining birthrate and aging population are forecast to lead to reduced domestic demand, making significant increases in steel demand unlikely. On a global basis, persistently excessive steel production in China and other countries will continue to make the business environment extremely harsh.

JFE Steel, rather than focusing on increased crude steel output, is striving to ensure stable steel output and to cut costs at its steelworks in Japan, the company's main production base. These objectives are being achieved through capital investments to strengthen the manufacturing base in Japan and by making full use of existing steelmaking capacity. Investments specifically have focused on renewing old facilities.

As of the end of the previous fiscal year, JFE Steel had renewed many upstream facilities, including coke ovens, for improved mid- and long-term competitiveness and stabilized production.

JFE Steel will continue to strengthen its manufacturing base in Japan through lower costs, stable production and a product mix focused on high-grade steel for improved competitiveness.

2. Reference

(1) Consolidated Results in First Half and Earnings Forecasts for Fiscal 2017

(billion yen)

| | FY2016 | | FY2017 | | Change | | (Reference) Full-year forecasts announced on August 1, 2017 | |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---|-------|
| | 1H | Full year | 1H | 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 | | |
| 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 | | |
| Steel Business | (24.4) | 40.5 | 84.6 | 150.0 | 109.0 | 109.5 | | 150.0 |
| Engineering Business | 7.6 | 26.6 | 2.5 | 25.0 | (5.1) | (1.6) | | 25.0 |
| Trading Business | 7.6 | 21.8 | 16.2 | 29.0 | 8.6 | 7.2 | | 28.0 |
| Adjustments | (1.0) | (4.2) | (2.0) | (4.0) | (1.0) | 0.2 | (3.0) | |
| Ordinary Income (Loss) | (10.1) | 84.7 | 101.4 | 200.0 | 111.5 | 115.3 | 200.0 | |
| Extraordinary Profit (Loss) | 3.5 | 20.7 | 19.3 | 20.0 | 15.8 | (0.7) | 20.0 | |
| Profit (loss) before income taxes | (6.5) | 105.4 | 120.7 | 220.0 | 127.2 | 114.6 | 220.0 | |
| Tax Expense and Profit (Loss) Attributable to Non-controlling Interests | (1.8) | (37.5) | (33.7) | (70.0) | (31.9) | (32.5) | (70.0) | |
| Profit (Loss) Attributable to Owners of Parent | (8.4) | 67.9 | 87.0 | 150.0 | 95.4 | 82.1 | 150.0 | |

*estimate

(2) Consolidated Financial Indices

| | Fiscal 2016 | Fiscal 2017 (estimate) | Change |
|-------------------------------------|---------------------|------------------------|-------------------------|
| Return on Sales (ROS) ¹ | 2.6% | 5.5% | 2.9 percentage point |
| Return on Assets (ROA) ² | 2.3% | 4.9% | 2.6 percentage point |
| Return on Equity (ROE) ³ | 3.7% | 7.9% | 4.2 percentage point |
| EBITDA ⁴ | 279.9 billion yen | 373.0 billion yen | 93.1 billion yen |
| Debt Outstanding | 1,375.4 billion yen | 1,350.0 billion yen | (25.4 billion yen) |
| Shareholders' Equity | 1,865.8 billion yen | 1,940.0 billion yen | 74.2 billion yen |
| D/E Ratio ⁵ | 51.4% | 48.5% | (2.9 percentage points) |

¹ ROS = Ordinary income / net sales

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

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

⁴ EBITDA = Ordinary profit + Interest expenses + Depreciation

⁵ 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 2016 | Non-consolidated | 6.94 | 7.06 | 14.00 | 7.12 | 7.02 | 14.13 | 28.14 |
| | Consolidated | 7.52 | 7.62 | 15.14 | 7.66 | 7.61 | 15.27 | 30.41 |
| FY 2017 | Non-consolidated | 7.12 | 6.98 | 14.10 | | | 14.60* | 28.70* |
| | Consolidated | 7.53 | 7.38 | 14.91 | | | 15.40* | 30.40* |

*estimate

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

| | | 1Q | 2Q | 1H | 3Q | 4Q | 2H | Full year |
|---------|--|------|------|-------|------|------|-------|-----------|
| FY 2016 | | 6.26 | 6.34 | 12.60 | 6.43 | 6.68 | 13.10 | 25.70 |
| FY 2017 | | 6.14 | 6.28 | 12.42 | | | | |

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

| | | 1Q | 2Q | 1H | 3Q | 4Q | 2H | Full year |
|---------|--|------|------|------|------|------|------|-----------|
| FY 2016 | | 43.6 | 44.1 | 43.9 | 43.3 | 44.9 | 44.2 | 44.0 |
| FY 2017 | | 42.1 | 44.2 | 43.2 | | | | |

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

| | | 1Q | 2Q | 1H | 3Q | 4Q | 2H | Full year |
|---------|--|-------|-------|-------|-------|-------|-------|-----------|
| FY 2016 | | 111.1 | 103.5 | 107.3 | 106.1 | 114.3 | 110.2 | 108.8 |
| FY 2017 | | 111.5 | 110.9 | 111.2 | | | 110* | 110* |

*estimate

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

| | | 1Q | 2Q | 1H | 3Q | 4Q | 2H | Full year |
|---------|--|------|------|------|------|------|------|-----------|
| FY 2016 | | 58.5 | 58.6 | 58.6 | 61.5 | 72.0 | 66.8 | 62.8 |
| FY 2017 | | 74.4 | 73.3 | 73.8 | | | | |

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

(billion yen)

| Field | FY2016 | FY2017 | Change |
|------------------------|--------|--------|--------|
| Environment | 157.4 | 200.0* | 42.6 |
| Energy | 148.9 | 140.0* | (8.9) |
| Infrastructure, others | 118.1 | 160.0* | 41.9 |
| Total | 424.4 | 500.0* | 75.6 |

*estimate

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

(JFE Holdings, consolidated basis)

Debt outstanding

| | |
|----------------|---------------|
| As of | (billion yen) |
| March 31, 2017 | 1,375.4 |
| March 31, 2018 | 1,350.0* |

Interest expense

| | |
|---------|---------------|
| | (billion yen) |
| FY 2016 | 12.6 |
| FY 2017 | 13.0* |

Cash and deposits

| | |
|----------------|---------------|
| As of | (billion yen) |
| March 31, 2017 | 69.9 |
| March 31, 2018 | 60.0* |

*estimate

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

(billion yen)

| | FY 2016 | FY 2017 |
|--------------------|---------|---------|
| Capital investment | 234.7 | 230.0* |
| Depreciation | 182.6 | 160.0* |

(on construction basis)

*estimate

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

a. First half of FY 2017, compared to same period of FY 2016

| | <u>Change</u> | <u>1H of FY 2016</u> | <u>(billion yen)</u> <u>1H of FY 2017</u> |
|---|---------------|----------------------|--|
| Ordinary income | 109.0 | (24.4)→ | 84.6 |
| - Sales volume, sales prices and raw materials prices | 22.0 | | |
| - Cost reductions | 20.0 | | |
| - Unrealized gains on inventories and others | 57.0 | | |
| - Change in depreciation method | 11.0 | | |
| - Others | (1.0) | | |

b. FY 2017 forecast, compared to FY 2016

| | <u>Change</u> | <u>FY 2016</u> | <u>(billion yen)</u> <u>FY 2017</u> |
|---|---------------|----------------|--|
| Ordinary income | 109.5 | 40.5→ | 150.0* |
| - Sales volume, sales prices and raw materials prices | 118.0 | | |
| - Cost reductions | 45.0 | | |
| - Unrealized gains on inventories and others | (25.0) | | |
| - Change in depreciation method | 28.0 | | |
| - Others | (56.5) | | |

*Approximate estimate

c. FY 2017 revised forecasts, compared to initial forecasts on August 1, 2017

| | <u>Change</u> | <u>FY 2016</u> | <u>(billion yen)</u> <u>FY 2017</u> |
|---|---------------|----------------|--|
| Ordinary income | 0 | 150.0→ | 150.0* |
| - Sales volume, sales prices and raw materials prices | (2.0) | | |
| - Cost reductions | 0 | | |
| - Unrealized gains on inventories and others | 13.0 | | |
| - Change in depreciation method | 0 | | |
| - Others | (11.0) | | |

*Approximate estimate

###